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# MEMORANDUM



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**DATE:** 11 March 2026  
**TO:** Carl Isaak, City of Burnaby  
**FROM:** Blair Erb, Coriolis Consulting Corp.  
**RE:** Evaluation of Impact on Financial Viability of Proposed Bylaw Approach to Rental Replacement

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## 1.0 Introduction

The City of Burnaby currently negotiates the replacement of below market rental units as part of the rezoning process for new apartment projects that involve the demolition of existing rental housing stock.

However, the City is now considering making below market inclusionary rental units a bylaw requirement for these types of projects, which would be more consistent with bylaw requirements for other types of apartment projects in the City.

You asked Coriolis to complete a high-level evaluation of the potential impact on project viability of the inclusionary bylaw approach being considered by the City for rental replacement projects. This memo summarizes our evaluation.

## 2.0 Background

The City of Burnaby adopted an Inclusionary Zoning Bylaw in 2025 which requires new apartment projects to allocate a share of units as below market inclusionary rental units for the longer of 99 years or the life of the building. The minimum inclusionary unit share varies by location:

- Five percent of total market strata units<sup>1</sup> are required to be provided as inclusionary rental units at projects in the Northeast and Southeast quadrants of the City.
- Ten percent of total market strata units are required to be provided as inclusionary rental units at projects in the Northwest and Southwest quadrants of the City.

The rental rate for inclusionary units is the CMHC market median rent for Burnaby (note: the CMHC market median rent is for existing tenants at all rental buildings in the City – it is significantly lower than the market rent for new units).

As part of adopting the new inclusionary zoning bylaw in 2025, the City considered financial analysis that was completed by Coriolis (October 2024), which evaluated the viability of new apartment projects under the proposed inclusionary requirements.

When the 2025 inclusionary zoning bylaw was adopted, it did not include bylaw requirements for new projects that involve demolition of existing rental units. Redevelopment of these sites continued to require rezoning. The replacement of rental units for these sites continued to be guided by the City's Rental Use Zoning Policy (RUZP) Stream 1 which requires the following:

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<sup>1</sup> Market rental units are not subject to the inclusionary requirements.

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- The number of replacement units is the greater of the number of units being demolished or 20% of the total number of market (strata and rental) units derived from RM and RMs densities (this is significantly higher than the new inclusionary zoning bylaw requirements).
  - Existing tenants are provided with a right of first refusal (ROFR) to move into a new replacement unit upon completion.
  - The maximum rent for any returning tenants is equal to their previous rent at move-out plus any annual rent increases permitted under the Residential Tenancy Act (RTA) until occupancy of the new unit.
  - If a tenant does not exercise their ROFR or moves into the unit but then vacates the replacement unit, the maximum rent for that unit reverts to the CMHC market median rent less 20% for the applicable CMHC rental survey zone (CMHC provides rents for the different subareas in Burnaby).

The City is now proceeding with implementing aspects of the RUZP through a proposed bylaw. The new bylaw is intended to formalize the requirement for the long-term affordability of rental replacement units by making the rental replacement units subject to the inclusionary rental rates approved by Council in 2025 (CMHC median rent for Burnaby) if the units are not occupied by the original eligible tenant (either because they do not exercise their ROFR or they do return but eventually vacate the new replacement unit). Consistent with the current RUZP, the rent for any returning tenants would be based on their move-out rent before building demolition (plus the permitted RTA rent increases during construction).

As input to defining the replacement and inclusionary requirements under the proposed new bylaw, the City asked Coriolis to:

- Evaluate the financial impact of different potential rental replacement and inclusionary requirements it is considering for the new bylaw.
- Comment (at a high-level) on the impact on viability of the approach being considered in comparison to the inclusionary rental requirements adopted in 2025 for new buildings that do not involve demolition of existing rental units (5% to 10% of new units as inclusionary units at CMHC median rents).

### 3.0 Description and Evaluation of Potential Scenarios Under Rental Replacement Bylaw

We evaluated the approaches that the City is considering for rental replacement requirements and inclusionary rents under two different scenarios that differ depending on the number of existing rental units:

- The number of existing rental units that are being demolished is greater than the percentage of inclusionary units required under the 2025 bylaw for new apartment projects (5% to 10%).
- The number of existing rental units that are being demolished is less than the percentage of inclusionary units required under the 2025 bylaw for new apartment projects (5% to 10%).

#### 3.1 Scenario 1 – More Existing Rental Units than Required Inclusionary Units Under IZ Bylaw

New projects may involve the demolition of more existing rental units than the percentage of units required under the 2025 inclusionary bylaw (5% to 10%).

Under this scenario, the City is considering an approach that requires all of the demolished units to be replaced as rental units. Rents for these units would be as follows:

- For any returning tenants, the replacement units would be rented at the tenant's existing rent upon move-out (plus RTA increases).
- For units that would otherwise be required to be inclusionary units (5% to 10%), the maximum rent would be the inclusionary rent rates (CMHC median) after a returning tenant moves out.

- For any “extra” replacement units beyond the inclusionary percentage (5% to 10%), the rents would be market rents after a returning tenant moves out.

Example

An example of this would be as follows.

Quadrant	<i>Northeast</i>
Proposed Dwelling Units	200
Required Inclusionary Rental Unit Percentage in Quadrant	5%
Inclusionary Rental Units Required in Quadrant	10
Existing Purpose-Built Rental Units (= Replacement Rental Units)	20
Replacement Units that become Inclusionary Rental (5%)	10
Excess Replacement Units (that become Market Rental)	10

In this scenario, initially the 20 replacement units would be limited to rent levels for the existing rent of the returning tenant.

As units are vacated by a returning tenant, or if they choose not to return, because the 20 replacement units exceed the ten required inclusionary units (5% of total dwelling units), ten “excess” units can convert to full market rent when no longer rented to a returning tenant from the previous purpose built-rental building.

The ten other units, when no longer rented to a returning tenant, would convert to inclusionary rental rates (CMHC median).

Evaluation

Scenario 1 will have a greater financial impact on new projects than the City’s current inclusionary bylaw requirements primarily because:

- More units are initially required to be below market than required under the inclusionary bylaw in order to accommodate returning tenants.
- Initial rents for returning tenants might be lower than the inclusionary bylaw rents (CMHC median). However, this will vary from property to property as existing rents vary.
- After returning tenants vacate units, a larger share of the overall building will be required to be rental than under the inclusionary bylaw (market rental units are excluded from the current inclusionary bylaw requirements).

The extent of the impact on viability will vary by project depending on the percentage of replacement units required in comparison to the current required inclusionary bylaw percentages (5% to 10%).

**3.2 Scenario 2 – Fewer Existing Rental Units than Required Inclusionary Units Under IZ Bylaw**

New projects may involve the demolition of fewer existing rental units than the percentage of units required under the 2025 inclusionary bylaw (5% to 10%).

Under this scenario, the City is considering two options.

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### 3.2.1 Option 2A

Under Option 2A the required number of inclusionary rental units would be the lesser of the existing units being demolished or the minimum percentage of units required in that geographic location (5% to 10%)<sup>2</sup>. The rent for all of these units would be as follows:

- The tenant’s existing rent upon move-out plus permitted RTA increases.
- The inclusionary rental rate (CMHC median) when not occupied by an eligible returning tenant.

#### Example

An example of this would be as follows.

Quadrant	Northwest
Proposed Dwelling Units	200
Required Inclusionary Rental Unit Percentage in Quadrant	10%
Required Inclusionary Rental Units in Quadrant	20
Existing Purpose-Built Rental Units (= Replacement Rental Units)	10
Replacement Units that become Inclusionary Rental (less than 10% of units)	10

In this option, the ten replacement units are less than the 20 (10% of 200) inclusionary rental units that would be required of a project without replacement requirements.

All ten replacement units would convert to inclusionary rental rates upon a second tenancy, but no ‘top up’ units would be required to meet the difference between the number of replacement rental units and the inclusionary rental unit requirements.

#### Evaluation

Option A should have less financial impact on new projects than the City’s current inclusionary bylaw requirements because fewer units are required to be below market rental units under Option A than required under the inclusionary bylaw.

It is possible that the financial benefit associated with fewer below market units will be off set if the initial rents for the returning tenants are significantly lower than the inclusionary bylaw rents (CMHC median) and the returning tenants remain in the new replacement unit for a long period of time. However, this will vary from project to project as existing rents vary (for example, it is possible that existing rents could be higher than CMHC median depending on when tenancies commenced).

### 3.2.2 Option 2B

Under Option B a project would be required to provide the minimum percentage of inclusionary units (5% to 10%). This would be comprised of the replacement units plus a “top up” of the difference between the number of replacement units and the minimum inclusionary proportion.

The rents for the replacement units would be as follows:

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<sup>2</sup> If the number of existing rental units matched the percentage required under the inclusionary bylaw (5% to 10%), then the impact on viability would be very similar to the existing inclusionary bylaw requirements (this is similar to Option 2B).

- The tenant’s existing rent upon move-out plus permitted RTA increases.
- The inclusionary rental rate (CMHC median) when not occupied by an eligible returning tenant.

The rents for the “top up” units would be the inclusionary rental rate (CMHC median).

Example

An example of this would be as follows.

Quadrant	Northwest
Proposed Dwelling Units	200
Required Inclusionary Rental Unit Percentage in Quadrant	10%
Required Inclusionary Rental Units in Quadrant	20
Existing Purpose-Built Rental Units (= Replacement Rental Units)	10
Replacement Units that become Inclusionary Rental	10
‘Top Up’ Inclusionary Requirement Units	10

Like Option A above, the ten replacement units are less than the 20 (10% of 200) inclusionary rental units that would be required of a project without replacement requirements.

However, in this option ten additional ‘top up’ units would be required to meet the difference between the number of replacement units and the inclusionary rental unit requirement.

The rent for the ten replacement units would be as follows:

- The tenant’s existing rent upon move-out plus permitted RTA increases.
- The inclusionary rental rate (CMHC median) when not occupied by an eligible returning tenant.

The rents for the “top up” units would be the inclusionary rental rate (CMHC median).

Evaluation

Under Option B, some of the below market units (the replacement units) may have lower rents for the initial returning tenants than the inclusionary rents (although this will vary from property to property as rents vary by building). However, the overall number of below market units will be same as required under the inclusionary bylaw requirements. Therefore, Option B will likely have a similar financial impact on new projects as the City’s current inclusionary bylaw requirements.

**4.0 Other Items**

Our understanding is that the City is also considering different options for the required rent rates for any replacement units after the initial tenancy for any returning tenants ends.

We note that higher permitted rents (e.g. market rent rather than CMHC median rent) after the initial tenancy ends will improve the financial viability of redevelopment.

**5.0 Conclusions**

1. Under Scenario 1, projects will be less financially viable than under the City’s current inclusionary bylaw requirements (5% to 10% requirement) because:

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- More units are initially required to below market than required under the inclusionary bylaw in order to accommodate returning tenants.
  - Initial rents for returning tenants might be lower than the inclusionary bylaw rents (CMHC median). However, this will vary from property to property as existing rents vary.
  - After returning tenants vacate units, a larger share of the overall building will be required to be rental than under the inclusionary bylaw.
2. Under Scenario 2 Option A, the financial viability of redevelopment will likely be better than the viability under the City's current inclusionary bylaw requirements (5% to 10% requirement) because fewer units are required as below market rental units under Option A than required under the inclusionary bylaw.
  3. Under Scenario 2 Option B, the financial viability of redevelopment will likely be similar to the viability under the current inclusionary bylaw requirements because the overall number of below market units will be same as under the inclusionary bylaw requirements.
  4. Higher permitted rents (e.g. market rent rather than CMHC median rent) for any replacement units after the initial tenancy ends will improve the financial viability of redevelopment in all scenarios.