Division Manager	Deputy Director	Director	CAO

The Corporation of **THE CITY OF NORTH VANCOUVER**
COMMUNITY DEVELOPMENT DEPARTMENT

INFORMATION REPORT

To: Mayor Darrell R. Mussatto and Members of Council

From: Emilie K. Adin, Deputy Director, Community Development

SUBJECT: STAFF COMMENT ON NORTH VANCOUVER CITY VOICES' DELEGATION BEFORE COUNCIL

Date: July 19, 2017 File No: 13-6440-01-0001/2016

PURPOSE

The purpose of this report is to respond to the following two resolutions carried unanimously by Council at the Regular Meeting of July 17, 2017:

> **THAT** the correspondence received from Toni Bolton, North Van City Voices, July 10, 2017, regarding "North Van City Voices – Delegation", be received and referred to staff for a report back.
>
> **AND**
>
> **PURSUANT** to the report of the Deputy Director, Community Development, dated July 12, 2017, entitled "Report Back on Density Bonus and Community Benefits Policy Review":
>
> **THAT** Item 9 be referred to staff for further information and an analysis of the information provided by the North Van City Voices.

ATTACHMENTS

1. Submission entitled "Voices Delegation to CNV Council, 17 July 2017" (Document #1549307)
2. Comparison of City Market Rent, CMHC Average Rent, and Secured 10-10-10 Mid-Market Rental Rates (Document #1549861)
3. CMHC Rental Market Survey 2010-2015 (Document #1549841)

DISCUSSION

North Van City Voices appeared as a delegation before Council at the Regular Meeting of July 17, 2017. Attachment #1 to this report is a transcript of the presentation by this group. Staff have been asked to comment.

Rate of Growth

The complex relationship between rate of growth and capacity for growth has been discussed in Council Chambers several times during the City Shaping process, with several staff reports provided to Council over time. Staff will not replicate these previous discussions. Staff could quibble with the exact number of units reported as "built on in process" since 2016. However, North Van City Voices is correct in identifying that the rate of growth has been somewhat higher in the past three years than at some other points in the City's history. The recent rate of growth (at about 3% per annum rather than at a more typical 1 to 1.5% per annum growth rate) cannot be considered on its own, without taking into account the following:

- The City has experienced cyclical growth patterns over time, typically seeing 2-3 years of high growth followed by 1-3 years of moderate growth or low growth;
- The growth projections in the Regional Growth Strategy "are provided as reference to member municipalities and regional agencies, and do not represent specific growth targets for the region or respective municipalities";
- There is an intentional margin between capacity for growth and rate of development, as constraints on the supply of development sites typically drives up the cost of the remaining sites and can affect the relative affordability of units.

The Density Bonus Tool

The City has chosen over time, under direction from Council, to keep Official Community Plan (OCP) and zoning densities relatively low (as compared to other Regional City Centres). This, in order to be able to harness development to assist the City in providing amenities and in so doing mitigating the impacts of new development. The approach undertaken over time did not have as its purpose to discourage development that fits within the vision created by the OCP.

Density bonusing is the Province's preferred municipal planning tool to use to seek Community Amenity Contributions (CACs), since the pathways and expectations to receive full density are clearly laid out and are not subject to ad hoc negotiations on a case-by-case basis. While density bonuses need to be "earned" by good design and by providing additional Community Benefits, the resulting densities are not "beyond the OCP" but are provided for within the OCP.

Over time, interest has grown amongst the public, the development industry, and Council to ensure greater transparency, better consistency, and that a greater number of Community Benefits are provided for. The current Density Bonus and Community Benefits Policy was adopted in May 2015.

The Anchor

The development project referenced by the delegation, now known as The Anchor, was approved in mid-2012 prior to the adoption of the policy under review. What follows in Table 1 is a comparison of the CACs collected for the approved project constructed at 131 East 3rd Street with the current policy and the proposed policy:

Table 1: Comparison of CACs: an approved project (2012), the same project under existing policy (2015), and the same project under proposed policy (2018)

Pathways to Density Bonus	The Anchor (Approved 2012)	Existing Policy (Endorsed 2015)	Proposed Policy (Enacted 2018 if approved)
Pathway 1 – Cash Contributions	n/a	~$1.7 million (with 61 units of strata)	~$2.3 million (with 61 units of strata)
Pathway 2 – Secured Rental Housing	n/a	61 units of market rental	55 units of market rental 6 units of below-market rental*
Pathway 3 – Combination Cash and Rental Units	18 secured rental units and $100,000	Not permitted	Not permitted but will be reviewed

* See Mixed-Income Rental Buildings, and Mid-Market Units, below

In 2012, the value of rental density on vacant land was approximately $100 per square foot. Consequently, this was reported to Council to estimate the value of the 18 rental units that were secured in perpetuity as a condition of rezoning approval. This value is not to be confused with the cost per square foot of improved land in today's dollars.

Mixed-Income Rental Buildings

The below-market units that will be secured as per the Housing Action Plan and the proposed amended Density Bonus and Community Benefits Policy refer to the 10% of required Mid-Market Units, as articulated within these policies. Discounted rental rates are locked in for at least the first 10 years of occupancy of the rental building or for the duration of any of the tenancies that begin within the first 10 years. In comparing current typical market rental rates for new buildings with the rates to be charged for the below-market units (see Attachment #2), there is a discount on rental rates of about 40-50% per unit.

Market Rental

Newly constructed market rental units are typically leased at a higher rental rate per square foot than is charged for older rental stock. The City is currently experiencing a historically low rental vacancy rate (in the order of 0.03% rather than a healthy vacancy rate of 3-5%). The Canada Mortgage and Housing Corporation (CMHC) 2016 Rental Market Report for the Metro Vancouver area found that low vacancy rates are leading to higher rents charged to new tenants of older buildings, with an increased rental rate of

6.4 per cent, well in excess of the allowable rent increase for 2016 of 2.9 per cent for existing tenants. In other words, increasing the supply of rental units overall will increase the chance that new tenants will pay lower rents for both older and newer rental units.

In terms of all market rental projects built or underway in the City since 2000, there have been 846 units created and 127 units lost, for a net gain of 719 units – almost a six fold increase. As shown in Attachment #3, municipalities that have not sought to protect or construct market rental units have seen a considerable loss of units. For example, the City of Burnaby has lost 370 rental units in the period 2010-2015.

Below-Market and Non-Market Rental

The City is more ably meeting strata and market rental housing demand estimates but finding there is considerable challenge – absent greater supports from senior levels of government – in meeting housing demand estimates for lower income groups. The City is actively looking at ways to incent or require below-market rental and non-market units. This is reflected in the changes proposed by the staff report by the Deputy Director, Community Development, entitled "Report-Back on the Density Bonus and Community Benefits Policy Review," dated July 12, 2017:

1. Clarification on how the density bonus will be earned for construction of non-market rental units, in order to increase take-up;
2. Proposal of a 2018 project to explore inclusionary zoning requirements for new strata development; and
3. Proposed consideration of removing the 50% waiver of Development Cost Charges (DCCs) for market rental, while retaining the 100% waiver for DCCs for non-market rental.

Reporting and Monitoring on Density Bonusing

In May 2015, when the Density Bonus and Community Benefits Policy was adopted, staff was directed to track density bonusing over time. Reports with high-level information, including a summary of what was achieved under the density bonus programme, are being created annually and shared with Council and the public. Staff is proposing that a third party comprehensive review occur every two to three years.

RESPECTFULLY SUBMITTED:

Emilie K. Adin
Deputy Director

Attachment

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