

## **Attachment E**

### **Draft Rental Replacement Policy**

#### **Context**

Renters account for a significant portion of the City of New Westminster's population and are an important part of the City's social fabric. New Westminster's housing stock includes a large, aging stock of over 9,000 purpose built market rental units. These units feature lower rents than new secure market rental because of their age and limits on rent increases through the *Residential Tenancy Act*. Market dynamics and the City's policies and Density Bonus program, are effectively preserving the existing rental stock. Slowing redevelopment and ensuring 100% rental tenure with some replacement of rental housing that is affordable for existing tenants is a priority in New Westminster. The City's Rental Replacement Policy is intended to provide guidance to rental property owners seeking redevelopment of existing purpose built market rental housing.

#### **Principles**

Staff developed the following principles to guide development of a Rental Replacement Policy.

- a) Rental retention is encouraged wherever possible
- b) Impact of redevelopment on existing tenants is minimized
- c) Rental replacement is maximized through redevelopment
- d) Pace of redevelopment is gradual to minimize tenant impacts
- e) Replacement units provide a choice of unit types and rental rates
- f) Property owners and developers are provided with clear policy direction
- g) Density and built form respect the Official Community Plan
- h) City staff time, resources and risk are minimized
- i) Tenant relocation and family friendly housing policies apply
- j) Occupancy management of below-market units by an entity with experience managing non-profit tenants
- k) Below-market units are simple to secure and practical to operate

#### **Purpose**

The purpose of this Draft Rental Replacement Policy is:

- A. To minimize potential negative impacts of redevelopment of existing purpose-built market rental housing sites on existing tenants;

- B. To provide conditions under which Council will consider approving the redevelopment of existing purpose-built market rental housing properties at the end of a building’s functional life with additional density.

**Policy Scope**

The Draft Rental Replacement Policy applies to all existing purpose-built market rental housing sites where redevelopment will remove more than 6 rental units. This policy specifies the affordable housing amenity to be provided in exchange for any increase in density through rezoning. The Draft Rental Replacement Policy has no provisions to exceed maximum OCP density.

Existing non-profit rental and cooperative housing sites may be subject to enhanced replacement requirements, as may larger or mater planned redevelopment proposals.

**Policy Application**

Applicants seeking rezoning are expected to provide: 100% secure market rental units including 10% of total units secured as below-market rental units. Non-profit ownership of below-market rental units is preferred. Otherwise, below-market rental units are to be managed by a pre-qualified occupancy management entity, with costs paid by the building owner. Municipal incentives are available to contribute to viability. Applicants are free to pursue other sources of government funding or financing, such CMHC’s Rental Financing Initiative, to achieve viability. As a condition of approval, applicants will be required to enter into a Housing Agreement pursuant to Section 483 of the *Local Government Act*.

<b>Outcomes</b>	<b>Minimum target</b>	<b>Incentives</b>
Secure market rental units and below-market rental units  Ownership of below-market rental units by pre-qualified non-profit housing society preferred. Otherwise, occupancy management of below-market rental units by pre-qualified non-profit housing management entity paid for by rental building owner.	100% secure market rental units with 10% of total units as below-market rental units.	Additional density as per OCP or Density Bonus program, where applicable.  Rental residential floor space is excluded from the density bonus payment.  Secure Market Rental Policy parking provisions apply

**Unit mix and size guidelines for below-market rental units**

The unit mix below reflects the requirements of the New Westminster Family-Friendly Housing Policy for rental units. Below-market rental units should be consistent with the unit sizes listed below. Unit sizes are based on BC Housing Design Guidelines 2018. City to be flexible based on the population served.

<b>Number of Bedrooms</b>	<b>Share of Units</b>	<b>Unit Size</b>
Studios	75%	350 sq. ft.
1-Bedroom		525 sq. ft.
2-Bedroom	20%	725 sq. ft.
3-Bedroom	5%	925 sq. ft.

Below-market units are intended to accommodate existing tenants paying below-market rents who wish to return to the building after redevelopment. Eligible households earn between \$30,000 and \$75,000 per year. Average below-market rent would be set at time of application, at 10% below the currently reported Canada Mortgage and Housing Corporation (CMHC) rental market median rent, all years, for New Westminster. Annual rent increase as permitted under the *Residential Tenancy Act* regardless of turnover. The following are illustrative below-market rents as of October 2022.

<b>Unit Type</b>	<b>Below-Market Monthly Rents</b>
Studio	\$1,098
1-Bedroom	\$1,139
2-Bedroom	\$1,553
3-Bedroom	\$2,096

Source: Based on CMHC Rental Market Information Portal, Rental Market Survey, October 2022.

**Cash-in-lieu provision**

Council priority is for immediate delivery of below-market rental units. In exceptional circumstances, the City may consider other options for the delivery of affordable housing, including cash contributions of \$200,000 per below-market housing unit (adjusted periodically to reflect current market conditions). The per unit cash contributions will be placed in the City’s Affordable Housing Reserve Fund.

The City's priority will be to utilize cash-in-lieu contributions to secure new non-market rental housing units, as determined by the City's Affordable Housing Reserve Fund policy.

### **Flexibilities**

Where applicants can demonstrate unique development circumstances and financial hardship such that redevelopment viability is compromised, the City may consider negotiating for different outcomes. A variety of analyses may be required by the City depending on the circumstances.

### **Grace period**

Staff has been signalling to applicants for some time that a rental replacement policy is under development. A 4 month grace period after the final adoption date will be allowed before the policy is applied in its strictest application. Until that time, staff will negotiate with applicants using the principles of this policy.

### **Pre-qualified non-profit housing agencies and occupancy management entities**

The City will supply applicants with a list of qualified non-profit housing agencies and occupancy management entities. Applicants are responsible for finding a suitable pre-qualified partner as early as possible in the project development cycle.

### **Requirements**

As a condition of approval, applicants will be required to enter into a Housing Agreement pursuant to Section 483 of the *Local Government Act* and other legal mechanisms deemed necessary with the City of New Westminster specifying:

- a) Market rental units and below-market rental units will be secured as rental units in perpetuity through the use of residential rental tenure zoning
- b) Rental units created under this policy will be secured by covenants that preclude stratification
- c) Eligible tenants and tenant incomes for below-market rental units
- d) Starting rents for below-market rental units
- e) That the applicant will verify tenant eligibility for new below-market rental units (household income cannot exceed 4 times annual rent)
- f) Third party occupancy management of below market rental units from pre-qualified list of occupancy managers and/or transfer/lease of below-market rental units to a pre-qualified non-profit housing society.
- g) The City may audit the information provided in the annual report

- h) Returning tenants have the right of first refusal in below-market rental units
- i) Below-market tenants have access to all building amenities at no cost
- j) No additional charges are permitted for below-market tenants
- k) Residential rental tenure zoning may be applied; and
- l) Other conditions as agreed.