

CITY OF BURNABY

COMMUNITY PLANNING & HOUSING COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

Re: Development Cost Charges for Replacement Housing

RECOMMENDATION:

1. *THAT* Council approve the resolution contained in Attachment 1 of this report and forward it and a copy of this report to the Lieutenant Governor in Council for the Province of British Columbia.
2. *THAT* a copy of this report be sent to Burnaby's MLA's.

REPORT

The Community Planning and Housing Committee, at its meeting held on 2000 February 22, received and adopted the attached report in support of the City of Burnaby petitioning the provincial government for additional powers to levy a development cost charge for the replacement of affordable housing.

Respectfully submitted,

Councillor C. Redman
Chairman

Councillor G. Begin
Member

Councillor D. Johnston
Member

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| : COPY - CITY MANAGER - DIRECTOR FINANCE - DIR. PLNG. & BLDG. - CITY SOLICITOR |
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TO: CHAIR AND MEMBERS
COMMUNITY PLANNING AND
HOUSING COMMITTEE

2000 FEBRUARY 22

FROM: DIRECTOR PLANNING AND BUILDING

Our File: 12.000

SUBJECT: DEVELOPMENT COST CHARGES FOR REPLACEMENT HOUSING

PURPOSE: To present background information to support a formal request to the provincial government for special powers to levy a development cost charge for the replacement of affordable housing.

RECOMMENDATION:

1. **THAT** the Community Planning and Housing Committee recommend:
 - a. **THAT** Council pass the resolution contained in *Attachment 1* of this report and forward it and a copy of this report to the Lieutenant Governor in Council for the Province of British Columbia.
 - b. **THAT** a copy of this report be sent to Burnaby's MLA's.

R E P O R T

1.0 BACKGROUND

At its meeting on 1999 September 13, Council directed staff to pursue two courses of action with regard to gaining authority under the Municipal Act to levy development cost charges (DCCs) for the replacement of affordable housing. The first course of action was to pursue changes to the Municipal Act that would give local government the ability to levy DCCs to fund replacement housing. Unfortunately, Ministry of Municipal Affairs staff have informed City staff that DCCs will not be considered in the next round of Municipal Act revisions.

The second course of action involved the preparation of background information to support a formal request to the Lieutenant Governor in Council for "additional powers" under Division 5 of Part 5.2 of the Municipal Act to levy DCCs to fund the replacement of affordable housing. Council requested that this information be submitted in a report to the Community Planning and Housing Committee along with an appropriate resolution for Council's consideration. This report responds to that request.

2.0 CONTEXT

Burnaby's rental housing stock plays an important role in the City's overall supply of affordable housing. According to the 1996 Census, 45% of households in Burnaby rented their accommodation. Of these households, 45% spent 30% or more of their household income on rent while 23% had severe affordability problems (i.e., they spent 50% or more of household income on rent). Fifty-two percent of rental households had a household income of less than \$30,000, significantly less than Burnaby's average household income of \$48,781.

While the need for rental housing is evident, a combination of factors, including federal tax policies which have discouraged investment in market rental housing, has resulted in little construction of new rental units over the past 20 years. In 1996, 76% of Burnaby's rental households live in housing that was built before 1981. Almost half of these households (48%) lived in low rise apartments. Of those households living in low rise apartments, 82% lived in buildings that were over 20 years old. This number is significant since most of Burnaby's purpose-built rental housing is found in low rise apartments.

As the low rise apartment housing stock ages, redevelopment pressure is likely to increase, placing this housing at risk of demolition. Given a constant demand for rental housing and little economic incentive to build market rental housing, the City could face serious problems in terms of the availability, quality and affordability of its rental housing stock. It is in this light that the need for a development cost charge to fund the replacement of affordable housing emerges.

3.0 NEED FOR SPECIAL POWERS

3.1 Burnaby's Growth Management Objectives

Burnaby is the third largest city in the province and is situated within the growth concentration area of the Livable Region Strategic Plan (LRSP). To meet its growth management objectives and those of the LRSP, many new housing units will be achieved through redevelopment of existing built-up areas. This situation is similar to the City of Vancouver's where substantial redevelopment has occurred that has put affordable rental housing units at risk. The City of Vancouver, through the provisions of the Vancouver Charter, has been able to apply a number of mechanisms, including a development cost levy, to fund replacement housing when it is anticipated that as a result of development, people will be displaced and unable to afford comparable accommodation in the area.

Burnaby shares many of the challenges that the City of Vancouver has in its efforts to protect the supply of affordable housing. It has succeeded in meeting many of these challenges through the application of a similar yet more limited range of zoning and legislative tools to facilitate the development of affordable housing. Specifically, it is limited by the provisions of the Municipal Act which do not allow for DCCs to fund replacement housing.

It has become apparent that these tools alone would not be enough to address the loss of a substantial number of affordable rental housing units that would be at risk as redevelopment pressure increases. Therefore, to expand the toolkit available to address affordable housing issues, it is proposed that the City request “additional powers” under Division 5 of Part 5.2 of the Municipal Act to levy a DCC to assist in funding replacement housing.

3.2 Complete Communities

In addition to growth management, one of the main objectives of Burnaby’s Official Community Plan and the Region’s LRSP is to achieve more complete communities. The provision of affordable housing is recognized as an essential component of this objective. Complete communities strive to achieve a better balance between residents and jobs in a community and to provide a range of housing types to allow a diversity of age groups, incomes and household sizes to live in an area. Therefore, any new land use plan in redeveloping areas should be coupled with a firm program to address the potential loss of affordable housing units.

3.3 Existing tools to provide affordable housing

Burnaby is recognized for the active role it takes in the provision of affordable housing. It has readily adopted new tools provided through Municipal Act amendments to facilitate the development of affordable housing. For example, through comprehensive development zoning, housing agreements and density bonuses, over 25 units of affordable housing have been secured without senior government subsidies on a number of sites throughout the City.

The City’s existing toolkit to assist in the development of affordable housing has been examined in cases where a significant portion of the rental housing stock is at risk. These tools would have a limited impact in replacing any affordable housing that is lost through redevelopment. For example, where redevelopment is considered in an area comprised of many privately owned properties, a requirement that 20% of the new housing is affordable could not be applied in the same way as it is in large publicly owned sites. Density bonuses together with housing agreements, on the other hand, could be used but would likely supply only a few affordable units on larger sites and only if the developer takes advantage of the extra density.

3.3 Development Cost Charges for Replacement Housing


Discussions with staff at the City of Vancouver Housing Centre have confirmed that the use of development cost levies for replacement housing has proved to be the most effective tool available to plan for replacement of affordable housing in neighbourhoods with a significant amount of existing private rental housing at risk. Under the provisions of the Vancouver Charter, the City of Vancouver has the authority to levy DCCs for soft services such as replacement housing and daycares, as well as typical hard services such as sewerage, water, drainage and highway facilities. The City of Vancouver will shortly be applying its replacement housing development cost levy on a city-wide basis. All new residential, commercial and industrial construction will be assessed a \$3.00 per square foot of buildable floor area. The amount of the fee was calculated by determining the cost of replacing lost rental housing.

In contrast, under the provisions of the Municipal Act, municipalities can use DCCs to fund hard infrastructure costs only. This is appropriate for newly developing areas, but does not permit existing urban areas to address the broader social needs associated with redevelopment. In Burnaby's case, it would appear that levying a DCC would also be the most effective method to use in facilitating the replacement of affordable rental housing that is at risk. To gain this authority, the City would need to request "additional powers" under Division 5 of Part 5.2 of the Municipal Act to levy a DCC for replacement housing. The process to request "additional powers" involves the submission of a Council resolution to the Lieutenant Governor in Council to grant a power to the municipality (see *Attachment I*). In its request, the City must not override an absolute prohibition contained in an enactment or request authority to levy a new tax.

Burnaby has one of the lowest rates for DCCs in the region reflecting, in part, its status as a mature, serviced municipality. It currently levies a DCC for parkland acquisition only. (Like all other GVRD municipalities, it also collects a DCC on behalf of the GVS and DD for sewers.) If the City were granted the authority to charge a DCC for replacement housing, it is proposed that it would be levied against new development to facilitate the construction of new rental housing in areas where the existing rental housing is at risk. The City could use DCC funds to purchase land which in turn could be leased to non-profit housing providers at a cost write-down. The non-profit housing providers would apply for funding from the provincial non-profit housing program to build the housing for low or moderate income households. Alternatively, the non-profit provider could partner with a developer to build a rental project with low end of market rates. Similar to the City of Vancouver, the amount of the DCC would be based on an estimate of the cost of replacing rental housing units lost through redevelopment.

4.0 RECOMMENDATION

Staff have reviewed the existing tools available for the City to replace affordable rental housing that is at risk through redevelopment and have determined that they would have a limited impact . Based on the City of Vancouver's experience with development cost levies for replacement housing, it is recommended that they City request additional powers under Division 5 of Part 5.2 of the Municipal Act to levy a development cost charge for replacement housing. It is therefore recommended that Council pass the resolution contained in Attachment 1 of this report and forward it to the Lieutenant Governor in Council for the Province of B.C.


D.G. Stenson, Director
PLANNING AND BUILDING

MMsa

Attachment

cc: City Manager
City Solicitor
Director Finance

RE: DEVELOPMENT COST CHARGE FOR REPLACEMENT HOUSING

WHEREAS the City of Burnaby is the third most populated urban centre in the Province;

AND WHEREAS with the exception of the City's designated green and open space zones, the City is largely developed;

AND WHEREAS the City of Burnaby is within the Growth Concentration Area of the Livable Region Strategic Plan and is committed to meet growth management objectives contained in the Plan;

AND WHEREAS it the City's intent to become a more complete community by achieving a better balance between residents and jobs, a greater mix of housing types, access to adequate and well located community services and facilities and improved transportation services;

AND WHEREAS the provision of affordable housing is recognized as an essential component of a complete community;

AND WHEREAS the City's existing market rental housing provides a significant portion of affordable housing available in the City;

AND WHEREAS the City's existing affordable market rental housing stock is at risk on sites designated for redevelopment;

AND WHEREAS the City's existing mechanisms to provide for affordable housing are limited in their ability to replace significant amounts of rental housing lost through redevelopment:

THEREFORE BE IT RESOLVED that Lieutenant Governor in Council for the Province of British Columbia grant the City of Burnaby additional powers under Division 5 of Part 5.2 of the Municipal Act to allow the City to levy a development cost charge to fund the replacement of affordable housing.

