

Schedule 1 to the Minutes of the  
Council Meeting for Public  
Hearings held on Monday,  
October 17, 2011.



City of  
Richmond

Memorandum

Planning and Development Department  
Development Applications

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**To:** Mayor and Councillors **Date:** October 6, 2011  
**From:** Brian J. Jackson, Director of Development **File:** RZ 11-565675  
Dena Kae Beno, Affordable Housing Coordinator  
**Re:** **Mixed-Use Market Rental Apartment Housing Proposal at  
14000 & 14088 Riverport Way**

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**Purpose of Memo**

On September 26, 2011, Council gave First Reading to the Patrick Cotter Architect Inc. zoning text amendment proposal regarding 14000 & 14088 Riverport Way. The issue of affordable housing was discussed, and Council made the following referral requesting further information:

*“staff was directed to provide information for the Public Hearing, on the strategy used in determining the density for this application.”*

The purpose of this memorandum is to respond to this request.

**Proposed Density**

Staff carefully reviewed the applicant’s request to change land uses and increase density from 1.0 FAR to 1.91 FAR to accommodate a new mixed-use purpose built rental apartment building on the development site at 14000 Riverport Way. Staff considered the following in determining an appropriate density for the site:

- ability of site to maximize amount of market rental residential housing;
- ability of site to accommodate building massing;
- ability of site to accommodate adequate parking for commercial and residential uses;
- opportunity to provide a taller landmark building at the East end of Steveston Highway on the River’s edge;
- fit with neighbouring 1.5 FAR density market rental residential housing development (see Table 1 below);
- need for higher density to offset more expensive higher quality concrete construction; and
- requirements for neighbourhood meeting room, and indoor and outdoor amenities for residents.

The proposed increased density of 1.91 FAR allows the project to shift from wood construction to more expensive concrete construction, which provides the following benefits:

- Longer building life (approximately 100 years);
- Lower maintenance costs with reduced materials shrinkage; and
- Improved resident privacy with reduced lower pitch vibration noise transmission from floor to floor.

Table 1: 14000 & 14088 Riverport Way: Comparison of Density and Land Uses

	Permitted FAR	Proposed FAR	Permitted Uses	Proposed Uses
14000 Riverport Way	1.0	1.91 + 0.1 amenity	Child care Dormitory Hotel Office Parking, non accessory Private club Restaurant Retail, General Outdoor storage	68.3 sq.m. CRU Deleted: Outdoor storage Housing, apartment (60)*
14088 Riverport Way	1.5	1.5	Child care Dormitory Hotel Office Parking, non accessory Private club Restaurant Retail, General Housing, apartment*	Housing, apartment (80)*

Apartment Housing\* may include the following permitted secondary uses:

- residential security/operator unit
- community care facility, minor
- home business

**Market Rental Support to Affordable Housing**

Canada Mortgage and Housing Corporation (CMHC) reports that the Richmond rental housing vacancy rate was 1.5% in October 2010 and is anticipated to decline modestly in 2011. Moreover, CMHC indicates that a strong rental demand will remain due to a number of factors, including:

- The region’s diverse economy and role as the gateway to Asia-Pacific immigrants;
- The anticipated location for 40,000 new residents annually; and
- Anticipated employment growth (e.g. Attracting and keeping knowledge based workers is integral to supporting a strong economy in coming years. Technical Industries employ knowledge workers who are highly mobile and often depend on rental housing located near employment).

The Urban Futures report entitled: “Community-level Projections of Population, Housing and Employment” prepared for the City’s 2041 OCP Update, suggests that Richmond’s share of new apartments in the Region will decline from 11 percent in 2009 to 6 percent in 2041. Some of the reasons cited are:

- Increased competition throughout the region for this housing form;
- Regional availability of land in other areas; and
- Region-wide densification patterns.

The report also reveals that 77 percent of Richmond’s condo apartment development is anticipated to be located in the City Centre. With these considerations in mind, the Riverport application provides a unique opportunity to develop much needed rental housing in an area outside of the City Centre, which will:

- Meet growing rental demand;
- Relieve pressure on vacancy rates; and
- Serve as dedicated rental housing stock in perpetuity.

Staff recognize that it is financially challenging to develop purpose-built rental housing in the absence of Senior government funding or incentives. In the absence of such programs or other incentives (e.g. Vancouver’s Short Term Incentives for Rental development), rental revenue will be required to offset the project’s debt-servicing costs; whereas, a private condominium development would utilize unit sales revenue. Further, independent studies for Metro Vancouver and Vancouver, confirm that both concrete and wood-frame, purpose-built market rental developments are at a capital cost disadvantage relative to condo apartment developments. Thus, challenges exist to achieve viable project economics to support both the development and delivery of market rental housing.

Decreased rental housing starts and forecasted future rental demand impose on-going pressure on existing rental stock. For example, the CMHC report entitled: “Rental Market Report- Vancouver and Abbotsford CMAs” released in the Fall of 2010 reflected that 20 of the 1,088 one-bedroom units in Richmond were vacant and 15 of the 1,065 two-bedroom units were vacant. The report also reveals that average Richmond market rents range from \$724 for bachelor units to \$1,096 for two-bedroom units.

Securing additional purpose-built rental stock is considered important, both for households who are not able to or for those who choose not to purchase housing. At this time, the applicant is not able to set rental rates as a full accounting of the construction and financing costs are not yet known. However, based on preliminary rental rate estimates, it is estimated that at least 40 percent of Richmond renters could afford the expected market rents in 14000 and 14088 Riverport Way.

The Regional Growth Strategy indicates that Richmond’s 10 year estimated rental demand is 5,600 units or 560 units, annually. The Riverport project will deliver 140 rental units or approximately 25 percent of Richmond’s annual estimated need for rental housing. The units will be affordable to individuals with incomes between \$35,800 and \$84,400, thus, relieving pressure on available private rental stock for Richmond’s low to moderate income households with incomes between \$31,500 and \$51,000, as stipulated in the City’s Affordable Housing Strategy.



For the reasons listed above, Staff recommend waiving the affordable housing contribution of \$213,823.00 with respect to the project's delivery of rental housing that will:

- Be secured through legal agreements in perpetuity;
- Attract and support current and future employment growth in Richmond;
- Potentially serve 40 percent of Richmond's renters; and
- Added market rental stock will relieve pressure on local rental housing demand.

In summary, the proposed Riverport development will increase the variety of available rental options in the City, thereby, relieving pressure on other forms of rental options that may be more affordable (e.g. secondary suites, low end market rent units, co-op housing, and affordable rental housing).

### **Challenges of Dormitory Development and Market Rental Development**

The original Riverport rezoning included the development of dormitory space within the overall project. With close proximity to the Riverport Athletics and Entertainment Complex, dormitory space was then seen as a need and an economically viable use. As noted in the staff report, since the original rezoning, a hotel has been developed in the immediate area satisfying much, if not all, of the need for short term stay accommodation. As the area now has no specific need for a dormitory (the local hotel already satisfies the needs of the neighbourhood), staff agree with the applicant's contention that a dormitory in this location would not be financially self-sufficient, and would most likely result in operating losses. Therefore, staff believed that it was appropriate to consider another, more viable use on this site.

There is a shortage of purpose built market rental residential accommodation in Richmond and very little interest in developing new purpose built market rental residential accommodation. The primary reasons for the lack of new purpose built rental development are as follows:

- the demand for residential land in the region is extremely intense, leading to high levels of competition resulting in very significant land value increases;
- people are willing, and able, to pay more to purchase units as compared to the capitalized value of such units based on their achievable market rental rates; and
- based on the above, the result is that there is significantly more profit potential, and actual profits derived, from the development of units to sell in the open market, thus "out-competing" the market rental building developer for the land.

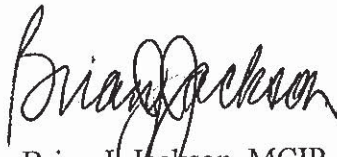
The likelihood of Richmond seeing any sort of significant development of market rental units in the near future is very limited. Unless lands are specifically set aside for market rental development only (which lowers land price expectations thus providing developers with similar profit expectations) or there are very significant relaxations of other rezoning and building related provisions (such as parking requirement relaxation), projects oriented toward the ownership market will continue as the predominant, if only, form of residential development for the foreseeable future.

This issue has long been a problem in the Lower Mainland, and has been identified as such since the late 1980's. Clearly, there has been a very limited increase in the supply of market rental product over the past 20 or so years, which is in marked comparison to the extreme levels of development oriented toward the ownership market.

**Conclusion**

Staff supports the proposal to develop the last remaining development parcel in the Riverport waterfront community with a new mixed-use building including 60 units of purpose built market rental apartment housing. The applicant has demonstrated the feasibility of accommodating the proposed density within a building that responds to its context and a site specific rental residential parking rate.

The proposal addresses the need for market rental residential accommodation in Richmond. The proposed Riverport development will increase the variety of available rental options in the City, thereby, relieving pressure to other forms of rental options that may be more affordable (e.g. secondary suites, low end market rent units, co-op housing, and affordable rental housing).

  
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