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Tuesday May 15, 2007

Holger Burke
City of Richmond
6911 No. 3 Road
Richmond, BC, V6Y 2C1
Canada

Dear Holger,

Re: Housing Agreement and Draft Density Bonus Bylaw

On May 1st, 2007 UDI members and City staff met to discuss Richmond's developing affordable housing policy. As more information on this policy is disseminated the increasing complexity of both the policy and the related issues becomes clear. City staff should be encouraged to continue consulting and sharing information with industry and other stakeholders. UDI is relieved that we had an opportunity to comment on the policy and identify the key issues below. Allowing stakeholders to comment provides an opportunity for Richmond to create a policy that could be practical, effective, efficient and sustainable for the City, the development industry and above all the community.

Housing Agreement

City staff circulated a draft housing agreement for UDI members to consider. It was indicated that the housing agreement would serve as a framework for the City to utilize in order to secure affordable housing. Mandating this type of housing agreement is punitive and a progressive deterioration of public property rights. This will not encourage the development of affordable housing. If a housing agreement will indeed serve as a framework for the City's affordable housing policy, it is imperative that the City ensure that the agreement is "right" before proceeding. The following issues were identified during the May 1st, 2007 meeting.

Ownership: In previous consultations, UDI communicated to staff that a 5% affordable housing requirement will result in a \$12 to \$16 per square foot cost increase to the remainder of a project. This increase will impact development in much the same way as an increased levy or DCC. This cost will be borne by the new home owner and the developer. In response, the City indicated that to improve the feasibility to a development project, the developer would be provided with an opportunity to maintain ownership of the units or, to sell them to a non-profit housing association, management company or investment fund. As a result of rent control, the sale of these units will allow the developer to recover some of the costs and reduce the burden to the rest of the project and the prospective new home owners.

Part VIII of the draft housing agreement eliminates any benefit that could be achieved from ownership by anyone except the City of Richmond. Part VIII indicates that in consideration of \$10.00, the City at anytime may exercise the option to purchase the affordable housing unit. It is unreasonable to expect that any non-profit association, developer or investment fund would consider purchasing or owning these affordable housing units if the City, at any time could acquire the units for \$10.00 each. Part VIII does acknowledge that the City may not exercise this option however, it is reasonable to suggest that any conscientious individual would not invest in an asset that includes such a clause.

Rent Control: Within the housing agreement, the City indicates that maximum rents will be established as follows:

	Bachelor Suite	One Bedroom	Two Bedroom	Three Bedroom
Monthly Rent	\$500	\$625	\$750	\$943
CMHC L1 Rent	\$800	\$940	\$1,260	\$1,450
CMHC L2 Rent	\$745	\$850	\$1,050	\$1,175

In earlier reports from staff, it was indicated that these rents were established using 2001 Census data. It is reasonable to suggest that these values are outdated and should be increased to match the 2006 Census data.

Furthermore, CMHC publishes level 1 and level 2 affordable rent levels on an annual basis. Level 1 rents are based on 80% of the median income while level 2 rents are based on 65% of the median income. The CMHC rents and incomes in the table above represent the level 2 rents applicable to Richmond for 2007. The City is proposing that rents be tied to CPI and that the City perform independent and periodic studies to ensure that the rents reflect these levels. Wouldn't it be more practical, effective, consistent, accurate and cost efficient to tie rents to the annual CMHC publication?

UDI members are also concerned that in attempting to control rents at these levels that low-middle income renters, who are in equal need will be excluded and that this market will be unnecessarily constrained. Part IV, section 7 (f) indicates that the Owner agrees to terminate any tenancy in a situation where the annual income of an Eligible Tenant rises above the maximum amount specified in subsection 7 (b) as adjusted in accordance with the CPI. Furthermore, Part VII indicates that if the owner breaches this agreement, the City will fine the owner \$100 per day until the breach is remedied. As an example, what if an individual is renting a one bedroom unit and currently grosses \$25,000 a year? What happens if that individual receives a promotion? Does this now mean that the renter has to move and that the owner will be fined \$100 a day until the renter is evicted? This does not seem reasonable or fair for any of the parties involved and, generally appears onerous and regressive.

Strata Corporations: In addition, has the City considered challenges that will be faced regarding liability? The City should contact the Condominium Home Owners Association to better determine, research, and analyze the potential liabilities associated with this policy.

Property Tax Exemption: Irrespective of who ultimately owns the affordable housing units, significant challenges will be faced in terms of maintaining and operating these units. At the very least, the monthly operating expenses on these units will be between \$300 and \$350 a month; this does not include possibly having

to pay strata fees. The operation of these units will be very costly and, reducing regular costs as much as possible will be necessary to ensure that these rental units remain viable. To encourage the success of this policy and these units, the City should place a higher degree of importance on the exemption of property taxes for these units. This would demonstrate the City's commitment to affordable housing.

Demolition and Replacement: Restrictions on demolition and replacement of affordable housing units based on a housing agreement will establish a running covenant on the land. What if the land use needs to change dramatically and housing is no longer a viable use for the site? How will the City accommodate such a change?

Density Bonus Bylaw

In addition to the housing agreement, staff also circulated a draft density bonus bylaw. An internal analysis carried out by UDI on the proposal revealed the following concerns.

Gross Buildable vs. Net Sellable Calculations: Typically, condominium projects need to include common areas, such as hallways that will take away from the total floor area that can be sold. The current calculation requires that 5% of all floor area, including hallways be dedicated to affordable housing. This will disproportionately take away from the remaining floor space that can be sold and as a result, an increased burden will be placed on the developer and the new homeowner. If a 5% requirement for affordable housing is to be implemented, it should be based on the net sellable area, not the gross buildable area.

Exclusion of FAR and Bonus Density: In previous discussions with staff, it was indicated that FAR exclusions would be an incentive used to lessen the burden on the developer. The current policy does not allow developers to benefit from FAR exclusions. This will reduce the total revenue that can be generated by a development project while simultaneously increasing the cost to the project through the provision of affordable housing units. If developers are allowed the benefit of FAR exclusions, the total revenue will remain the same while the cost of the project will increase. Providing bonus density at this point will help to reduce the additional costs to a degree that is at least manageable by both developers and new home owners.

Non-Profit Status: In terms of DCC exemptions and property tax exemptions, staff indicated that these benefits would only be available to non-profit associations that develop or own the affordable housing units. It was indicated that much of this is restricted by Provincial legislation that only allows these types of exemptions for non-profit projects. It should be emphasized that in every analysis carried out thus far, the development of affordable housing units will result in a loss. No profit will be made on these units. Why then would all affordable housing units created under this policy not be suitable for DCC and property tax exemptions? The legislation restricts exemptions to non-profit projects, not associations.

Parking Relaxation: Reducing parking requirements will reduce development costs and improve affordability. City staff provided some parking relaxations to help improve the feasibility of providing affordable housing units. The incentive would provide a half stall relaxation for each affordable housing unit. For a 100 unit project roughly 6 units would be provided and 3 parking stalls would be saved. Unfortunately however, in a building that will require a multi-level parking structure with hundreds of units, a saving of 3 parking stalls will do little to reduce costs and improve

affordability. This is a step in the right direction and Staff should be congratulated for considering this initiative however, unless a more significant reduction can be achieved, the current relaxation will be ineffective. In order for a parking relaxation policy to be more effective, there should be a zero stall requirement for affordable housing units. There are notable surplus parking spots in current development projects, this surplus could be utilized by the affordable housing units.

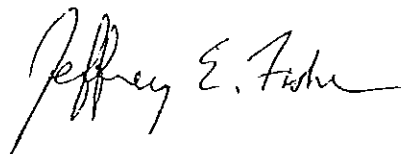
Down Zoning: At the May 1st, 2007 meeting, it was indicated to developers that the developable density would be reduced by 0.6 for concrete high rise developments and 0.4 for wood-frame multi-family developments. To regain that reduction, the developer would need to engage in the policies outlined in the bonus density bylaw. The bonus density concept is supposed to be utilized to offset increased cost to the developer as a result of an amenity or some other service to the City. Down zoning land does not help to compensate the developer for the amenity, it merely reduces the revenue and therefore the feasibility of the project.

To better understand the impacts and costs of this policy direction, the City should survey developers to determine what land is currently being purchased for and what density assumptions are being made. Furthermore, if this significantly reduces the development potential and feasibility of a site, appropriate and sustainable densities may not be achieved.

Making Bonus Density and FAR Exclusions Work: While it is admirable that the City is attempting to provide incentives for the development industry in terms of floor space and density; the development restrictions in Richmond need to be recognized and addressed as well. In many cases, the additional density and FAR exclusions can not be utilized due to high water tables and height restrictions. To incorporate these incentives, creative and innovative solutions will be required such as significant decreases in parking requirements and building forms that will allow densities to exceed 3.0.

UDI is eager to continue working with the City on the development of an affordable housing strategy that will work for all stakeholders and, we look forward to your response and comments on this matter.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey E. Fisher". The signature is written in a cursive, flowing style.

Jeff Fisher
Director of Municipal Affairs and Research
Urban Development Institute – Pacific Region