

Schedule 1 to the Minutes of the Planning Committee meeting of Richmond City Council held on Tuesday, October 5, 2021.

From: Mayor and Councillors
Sent: October 5, 2021 10:45 AM
To: Mayor and Councillors
Subject: Planning Committee Meeting on Oct. 5
Attachments: Planning Committee Oct 5 2021 Chart for Roston Presentation.pdf; Options to Secure Market Rental Housing - Richmond Rental Housing Advocacy Group - Sept 2021.pdf
Categories: - TO: MAYOR & EACH COUNCILLOR / FROM: CITY CLERK'S OFFICE

From: John Roston, Mr <john.roston@mcgill.ca>

Sent: October 1, 2021 8:50 AM

To: McPhail, Linda <LMcPhail@richmond.ca>; Steves, Harold <hsteves@richmond.ca>; Day, Carol <CDay@richmond.ca>; McNulty, Bill <BMcNulty@richmond.ca>; Loo, Alexa <ALoo@richmond.ca>

Cc: Brodie, Malcolm <MBrodie@richmond.ca>; Au, Chak <CAu@richmond.ca>; Wolfe, Michael <MWolfe@richmond.ca>; Hobbs, Andy <AHobbs@richmond.ca>; Michelle Li (michelleli@shaw.ca) <michelleli@shaw.ca>; Laura Gillanders (lauragillanders@gmail.com) <lauragillanders@gmail.com>; Hopkins, John <JHopkins@richmond.ca>; Edmonds, Eve (LMP) <eedmonds@richmond-news.com>; Maria Rantanen <mrantanen@richmond-news.com>

Subject: Planning Committee Meeting on Oct. 5

City of Richmond Security Warning: This email was sent from an external source outside the City. Please do not click or open attachments unless you recognize the source of this email and the content is safe.

Dear Members of the Planning Committee,

In reply to the staff report on market rental housing dated Sept. 16 to be considered at the Planning Committee Meeting on Oct. 5, the Richmond Rental Housing Advocacy Group has three comments in addition to the material sent earlier (below and attached).

1. The staff report refers to Richmond as “a regional leader in rental housing.” Requiring 10% market rental as recommended in the staff report is hardly leadership. In 2020, Vancouver approved more purpose-built rental homes than ownership housing. That is leadership we can only dream of in Richmond so far.
2. The staff report makes the ridiculous assertion that there is only an annual demand for 190 new market rental housing units in Richmond. Then in a footnote to Attachment 3, it mentions that 30,000 workers commute to jobs in Richmond every day from elsewhere. Some of these commuters are first responders, critical health care workers and City of Richmond employees who would dearly love to live here and walk to work if only they could find suitable rental accommodation. Quite aside from the considerable time they waste commuting, the rest of us pay for the financial and environmental cost of the public transit necessary to transport them.
3. As we outlined in detail in our earlier submission, Council must offer substantial incentives to developers of purpose-built rental far beyond what is recommended in the staff report. We gave examples of what other municipalities are doing. Council must step up and show leadership.

We continue to point out that Council’s approval of thousands of new strata condos for investors even when rented out are no substitute for purpose-built rental. CMHC has now published data for Metro Vancouver which proves this point. See the attached chart.

You can show real leadership by insisting on more purpose-built rental than ownership housing in the City Centre. You can refer the report back to staff for more substantial incentives to developers along the lines suggested in our submission.

Richmond Rental Housing Advocacy Group
John Roston, Coordinator

From: John Roston, Mr

Sent: Monday, September 13, 2021 9:49 AM

To: 'Brodie, Malcolm' <MBrodie@richmond.ca>; 'Steves, Harold' <hsteves@richmond.ca>; 'Day, Carol' <CDay@richmond.ca>; 'McNulty, Bill' <BMcNulty@richmond.ca>; 'Au, Chak' <CAu@richmond.ca>; 'McPhail, Linda' <LMcPhail@richmond.ca>; 'Loo, Alexa' <ALoo@richmond.ca>; 'Wolfe, Michael' <MWolfe@richmond.ca>; 'Hobbs, Andy' <AHobbs@richmond.ca>

Subject: Market Rental Housing Submission to Council

Dear Mayor and Councillors,

As you know, affordable housing has become a major election issue. The Richmond Rental Housing Advocacy Group has been intervening in Council consideration of a new Market Rental Housing Policy and in major housing development applications, each with over 1,000 housing units.

The June 7 staff memo on Market Rental Housing Policy raised legal objections to some of our suggestions for actions and incentives Council could undertake to turn the rental housing crisis around. Council asked for a very rapid response and staff may not have had time to consult as widely as they would normally. Since then, we have consulted with staff at the Planning & Land Use Management Branch of the BC Ministry of Municipal Affairs and concluded that several of the objections raised in the memo are incorrect or misleading. While the interpretation of legislation is ultimately up to the courts and there are always lawyers who will argue on one side or the other, it is clear that the provincial government is actively promoting a large increase in the amount of market rental housing and has supplied us with examples of other municipalities that are using the same incentives that we suggested Council should use. It is time for Council to stop looking for reasons to do nothing and instead provide leadership that will pay dividends in the next municipal election.

In particular, we will be looking to see which councillors support making 75% of the housing units in the Polygon Talisman project market rental or below market rental. You may recall our presentation which showed that the developer will make tens of millions of dollars of profit on the uplift in the value of the land even if it is rezoned for mostly rental housing. Councillor Steves stated that he does not support this re-zoning application as currently proposed and pointed out that this huge profit removes any necessity to be “fair” to the developer through “grandfathering” under the current totally inadequate Market Rental Policy. There are very few opportunities in the City Centre to provide huge amounts of market rental housing and citizens will remember who let this opportunity pass by as they remember who allowed the mega mansions to be built on farmland.

Attached is our summary of the main facts of the market rental crisis in Richmond and the steps Council can take to turn it around including a detailed reply to the objections to those steps raised in the June 7 staff memo.

Many thanks for your careful consideration of this very important issue.

Richmond Rental Housing Advocacy Group
John Roston, Coordinator

john.roston@mcgill.ca

12262 Ewen Avenue
Richmond, BC V7E 6S8
Phone: 604-274-2726

Presentation to Richmond City Council on Market Rental Housing Policy

By the Richmond Rental Housing Advocacy Group, September 2021.

City Council has primary responsibility for addressing the rental housing crisis.

The rental housing crisis is a major issue in the 2021 federal election. It will be a major issue in the 2022 Richmond municipal election given the City's far greater control over housing construction.

While Low End Market Rental (LEMR) and Co-op Housing can be managed in relatively small projects using subsidies on a non-profit basis, Market Rental housing requires large projects in order to be profitable in the current market context. These large rental projects are not being built in Richmond.

"The price of renting and owning housing is determined by the interaction of demand and supply."

"Policy solution: Build significantly more housing."

[Final Report of the Canada-British Columbia Expert Panel on the Future of Housing Supply and Affordability, 2021]

Richmond City Council has consistently required only token amounts of purpose-built market rental housing in new developments which results in only a few hundred new units each year when it will take several thousand new units to reach a significant supply of rental housing and stabilize rents at an affordable level.

The 6 main facts of the Market Rental housing crisis in Richmond:

1. Only an increase of **thousands of rental housing units** will stabilize rents in City Centre Richmond close to mass transit and where many can walk to work.
2. Keeping rents reasonable, providing rapid response to tenant needs and protecting them from eviction **requires large rental projects with multiple buildings** that attract pension fund owners and professional management that can take advantage of economies of scale and want to keep tenants for the long term.
3. Richmond's current market rental policy creates small pockets of rental without economies of scale and large amounts of strata condos with investor owners charging higher rents and looking to evict tenants as soon as there is an opportunity to sell at a profit. **Building strata condos primarily for investor owners is a poor strategy to address the severe shortage of market rental housing.**
4. While City Council can take steps to make rental housing construction reasonably profitable, it will never be as profitable as condos for sale to investors. **Thousands of new rental units will only be built if City Council requires it.**
5. The above stick must be accompanied by the carrot of incentives. **Council has the power to offer substantial incentives** despite the misleading information to the contrary in a recent staff report.
6. **There are limited large tracts of land in City Centre Richmond** that can be used to create large rental projects. One large project, Richmond Centre, is already approved with 1,850 strata condos (84% of the units) for sale to investors. A second, Polygon Talisman, is about to be approved with an additional 1,020 strata condos (80% of the units) for sale to investors. A third, Lansdowne Centre, is slated to be built over a very long period of time with a limited amount of rental and very few incentives provided by Council to build it faster with a lot more rental.

City Council has the power to create thousands of Market Rental housing units:

The June 7, 2021, staff memo raised objections to the use of some of these powers. In discussions with staff at the Planning & Land Use Management Branch of the BC Ministry of Municipal Affairs, we have determined that these objections are either incorrect or misleading.

1. **The City must identify and re-zone tracts of land in the City Centre that could be re-developed by the current owners to add substantial amounts of market rental housing.** This could be on top of and/or beside existing commercial malls. The provincial government has given the City the power to re-zone property for all or partial rental housing construction.

When current owners re-develop the land, the land cost is zero which removes a major cost factor in building new housing. Re-zoning land for market rental housing will reduce the value of the land should the current owner decide to sell which makes it more economical for the purchaser to build market rental housing. Although financing new housing construction used to depend on land value, this is no longer relevant since under the federal **Rental Construction Financing Initiative**, CMHC now provides that financing up to 100% of the residential space construction cost at extremely low interest rates with a 50-year amortization.

2. **The City should use the Revitalization Tax Exemption for Market Rental Housing.** The market rental housing owner continues to pay the current property tax, rather than the increased property tax on the new construction, for up to 10 years.

The June 7, 2021, staff memo stated:

Property tax exemptions provide minimal impact to developers as their property taxes during development are a negligible portion (less than 0.2%) of total project costs.

Misleading. This is not about property tax paid during development. The objective of property tax exemptions for a maximum of 10 years is to increase the value of the market rental housing to the pension plan or other rental housing operator who will purchase the property from the developer. This is a huge incentive depending upon the size of the project and the length of the exemption. It has the direct effect of substantially increasing the sale price realized by the developer.

The June 7, 2021, staff memo stated:

The rental units secured through the LEMR program are eligible; however, market rental units are not eligible for the exemption.

Incorrect. Market rental units are eligible. Kelowna provides a 10-year municipal tax exemption for new market rental units. Although Kelowna restricts it to the increase in value of the improvements built on the land, we believe it should apply to the increase in value of both land and improvements.

The June 7, 2021, staff memo stated:

A Council's decision to apply a revitalization tax exemption would result in a shortfall in the municipality's tax revenue.

Misleading. The City will continue to collect the same amount of property tax that it currently collects as if the development has not taken place. Its tax revenue will increase when the exemption period ends.

3. **The City should waive or reduce Development Cost Charges (DCC).** This reduces the obligation of the developer to fund growth related general infrastructure costs, such as roads, water, drainage, park acquisition and park development, quite apart from the cost of connecting these services to the property.

The June 7, 2021, staff memo stated:

The provisions in the LGA to waive or reduce DCCs may be applied to affordable housing; however, market rental housing is eligible only if the market rental housing is not for profit.

Incorrect. The rental units may be for-profit as long as the rent is below market. However, it is up to the municipality to specify how much below market. It could be 95% of median market rentals. Both Port Moody and the District of Saanich provide a 25% reduction in development cost charges if the for-profit rental housing unit rental rate does not exceed 85% of the median market rental established by CMHC.

The June 7, 2021, staff memo stated:

Direction to waive or reduce DCCs that apply to affordable housing means that an alternative funding source would pay the DCCs (e.g., city taxes, Affordable Housing Reserve).

Correct. If Council is serious about dramatically increasing the amount of rental housing in the City Centre then it should be prepared to absorb a portion of the development cost charges using the Unallocated Capital Reserves rather than raising taxes or using the Affordable Housing Reserve.

**Richmond Planning Committee Meeting, October 5, 2021.
Presentation by Richmond Rental Housing Advocacy Group**

Richmond is building thousands of strata condos for investors rather than purpose-built rental apartments. If the investors rent out their condos it is at higher rents and with no security of tenure for the tenants.

Even with higher rents, investors lose money renting their condos and intend to sell as soon as selling prices rise and evict the tenants. Due to economies of scale, purpose-built rental owners make money on lower rents and want to keep tenants for the long term.

Monthly rent and carrying cost of ownership in Metro Vancouver. (CMHC)

