

TO: MAYOR & EACH
COUNCILLOR
FROM: CITY CLERK'S OFFICE



May 3, 2021

Councillor Linda McPhail
Chair, Planning Committee
City of Richmond
6911 No.3 Road
Richmond, BC
V6Y 2C1

Attention: Councillor Linda McPhail

Dear Councillor McPhail

Re: Proposed Policy to Secure Market Rental Housing and Increase Low End Market Rental (LEMR) Contributions

I am writing to comment on the recently proposed policies to secure new market rental housing and increase the number of low-end market rental (LEMR) homes in the City of Richmond.

Since 1981 Polygon has successfully completed 46 projects, providing 6,682 homes within the City of Richmond. Many of these homes have been delivered as LEMR units through successful partnerships with organizations such as Richmond Kiwanis Senior Citizens Housing Society, SUCCESS, and More Than a Roof. A key factor in our decision to continue our investment in Richmond is the clear policy framework that has existed here for decades. It is with optimism in the continuation of that framework that I write to you today.

Housing affordability continues to be a critical challenge for many households in Richmond. Council's desire to explore an increase in the amount of secured market rental and LEMR housing to address the housing affordability issue is laudable. Staff are to be commended for the expedition of thorough policy proposals and for the retention of an economic consultant to provide input.

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Unquestionably, the proposed policies for more secured market rental and LEMR housing supply will contribute to the overall availability of housing options within the City and help to respond to the City's low vacancy rate. It is our belief that an increased supply of all types of housing across Greater Vancouver will help to address the affordability crisis we are in today. The recommendation for a mandatory approach to secured rental housing would be one of the first in our region and demonstrate Richmond's continued leadership in innovative new ideas to address this issue.

The proposed increase of secured market rental to 10% of FAR and LEMR to 15% of FAR in the City Centre Area Plan is achievable provided that:

1. Implementation is incremental and phased in over a few years.
2. Incentives or offsets are included.
3. Grandfathering of in-stream applications is provided.

Every major policy change in the City of Richmond that has impacted the development community, such as Step Code or the original LEMR policy, has always included these three mechanisms which have encouraged, rather than stymied, advancement toward Richmond's housing goals.

Incremental Approach

The proposed leap from a voluntary secured market rental housing policy to a mandatory rate of 10% of FAR is significant and will impact the feasibility of many in-stream applications. Instead of a significant single jump we would recommend that these changes be phased in over time. A gradual approach may include four annual interim increases of 2.5% before arriving at the 10% target. This would provide the development industry with an opportunity to adjust to the change over time.

Incentives

The recommendation of a density bonus to offset the provision of secured market rental is appreciated; however, 0.1 FAR is an inadequate offset given the different valuations of rental and condominium product. Furthermore, the City of Richmond has specific challenges in accommodating increased density due to restrictions on building height. A more substantial density bonus, when put in the hands of planning staff and design professionals, would likely lead to more creative urban design solutions.

The GP Rollo report dismisses other incentives such as parking reductions, amenity relaxations, municipal fee and/or property tax reductions/waivers, reduced servicing requirements, unit size relaxations, and design relaxations as insignificant cost savings. While that may be true if each of these incentives is considered separately, but when taken collectively, they can become quite meaningful to the viability of a project.

Grandfathering of “In-Stream” Applications

Of particular importance is the recommendation to grandfather in-stream applications.

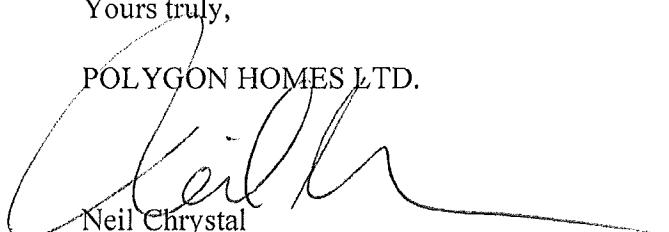
The rezoning process of any new development can take many years with land acquisition occurring at project inception. To calculate a fair purchase price at acquisition stage, it is critical to itemize all anticipated costs and deduct them from revenue to determine a project’s viability. While the development community is prepared to accept the market risks of increased construction costs or market pricing fluctuations, the cost of new policies introduced after a project makes its initial application is not reasonable, especially when the changes will have a significant negative impact on the financial outcome of the project.

The Province, the City of Richmond and many other municipalities have a long track record of grandfathering in-stream applications when significant policy changes are proposed. The grandfathering policy allows the development community to incorporate upcoming changes into their analysis of future projects and provides certainty and the transparency necessary for making significant investment decisions. We hope that Richmond Council will recognize this in evaluating the proposed policies.

Polygon shares a common goal with Council, to provide more diverse housing options to residents of Richmond. My comments are intended as constructive feedback to help achieve this goal.

Yours truly,

POLYGON HOMES LTD.


Neil Chrystal
President & Chief Executive Officer

cc: Robin Glover, Vice President Development