

Schedule 4 to the Minutes of the Special Planning Committee meeting of Richmond City Council held on Wednesday, June 23, 2021.

From: MayorandCouncillors
Sent: June 23, 2021 12:00 PM
To: MayorandCouncillors
Subject: Market Rental Housing Policy - Planning Committee - June 23, 2021.
Attachments: Planning Committee June 23 2021 Market Rental Policy.pdf

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

From: John Roston, Mr <john.roston@mcgill.ca>
Sent: June 22, 2021 8:26 PM
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Subject: Market Rental Housing Policy - Planning Committee - June 23, 2021.

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Dear Councillor McPhail,
Submission attached from the Richmond Rental Housing Advocacy Group for tomorrow's Planning Committee on Agenda Item 3 with reference to the proposed Market Rental Housing Policy.

We urge the Committee to refer the proposed policy back to staff to address the issues outlined in the submission.

Note that the updated staff report to be presented at the meeting includes feedback from a developer pointing out that market rental housing is most profitable when an entire building is market rental. Major investors in rental housing such as pension plans are only interested in buying or financing entire buildings. While everyone is tired of the continuing saga to arrive at an effective rental housing policy, it's extremely important to get it right and the proposed policy has not yet got it right.

Thank you for your consideration.

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Planning Committee Meeting – June 23, 2021 – Agenda Item 3.

Richmond Rental Housing Advocacy Group Presentation on the Proposed Market Rental Housing Policy

We support the proposed below market LEMR housing policy. This presentation deals with the proposed market rental housing policy.

Policy Objective

The objective is to dramatically increase the amount of market rental housing in the city centre, close to mass transit, and alleviate the rental housing crisis by bringing supply and demand more into balance.

Reasons to Refer These Reports Back to Staff

1. The consultant's report assumed that in all cases the developer is purchasing the land required for the project and this has a major impact on reducing the profitability of market rental housing. No consideration is given to the situation where new housing is being added to an existing commercial and/or housing development and there is **little or no new cost of land**.
2. Although below market LEMR housing managed by a non-profit group can be incorporated into a building containing strata condo units, market rental housing is most profitable in buildings that are entirely market rental. No consideration is given to whether the **land parcel is large enough to construct a separate building which is entirely market rental**.
3. Although total floor area is given as a better measure of the size of a development, the staff reports stick to specifying one threshold of 60 housing units for requiring that market rental be built. This ignores increasing economies of scale whereby **the larger the development, the more profitable market rental becomes**.
4. The original staff report on a new market rental policy was requested in order to apply it to the very large Polygon Talisman Park development. The staff reports recommends not applying it to that development nor to five other projects of more than 60 housing units without saying how large they are. This reverses course and **abandons the opportunity to secure significant amounts of market rental housing**.

Recommendations for a Market Rental Policy

1. **Staff should establish a land parcel size threshold that enables two separate housing buildings to be built.** Below that threshold, the developer has the option of making cash contributions in lieu of building the market rental housing. Above that threshold, the required market rental housing must be built. Although a separate rental housing building is highly recommended, the developer can choose whether to do so.
2. **The amount of required market rental housing should be expressed as a percentage of the total floor area of all of the housing being constructed.** Under the existing policy which refers to housing units, staff do not calculate the required percentage on all of the housing units being constructed.

3. **There should be larger market rental requirements for projects where housing is being added to an existing commercial or housing development** and at least 80% of the land required has been owned by the developer or its associates for more than five years.
4. **The amount of required market rental housing:**
 - a) Below land size threshold: **10% built or cash in lieu**
 - b) Above land size threshold and more than 20% of land purchased in last 5 years: **25% built**
 - c) Land size is at least twice the threshold and less than 20% of land purchased in last 5 years: **50% built**

Relevant Factors When Developing a Market Rental Policy

1. Given the high purchase and operating cost of an individual condo, an investor cannot make a significant profit renting it out and therefore looks to evict the tenant and sell it a profit as soon as the market rises.
2. Major investors in rental housing gain the advantage of economies of scale and do make a profit on rental and look to hold the housing for the long term. However, they buy entire rental buildings and not individual condos.
3. If the limited amount of land in the city centre is used to build condos primarily for sale to individual investors, it becomes impossible thereafter to convert them to entirely rental buildings.
4. The profitability of building rental buildings depends largely on the cost of the land.
5. If the developer has owned the land for some time, then it will be profitable to build an entirely rental building, but not as profitable as building condos for sale to investors.
6. Developers will build rental buildings if they cannot build condos for sale to investors, but only City bylaws can make that happen.