

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

Schedule 5 to the Minutes of the
Planning Committee meeting of
Richmond City Council held on
Tuesday, May 4, 2021.

Subject:

FW: UDI Letter - Draft Market Rental and LEMR Policies

Attachments:

UDI Letter - Proposed Market Rental and LEMR Requirements - Richmond Planning
Committee, May 4, 2021.pdf

From: Cassandra McColman <cmccolman@udi.org>

Sent: May 3, 2021 5:20 PM

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

Cc: Anne McMullin <AMcMullin@udi.org>; Hopkins, John <JHopkins@richmond.ca>; Spencer, Cody
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Subject: UDI Letter - Draft Market Rental and LEMR Policies

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attachments unless you recognize the source of this email and the content is safe.

Good afternoon Councillor McPhail,

On behalf of UDI and its members, please find attached a letter regarding the following reports on the agenda for
tomorrow's Planning Committee meeting:

- *Options to Secure Market Rental Housing in New Developments and Options to Increase Low End Market Rental
(LEMR) Contributions; and the*
- *Low End Market Rental Contribution Rate Review.*

We appreciate the leadership that the City of Richmond has taken regarding rental housing and hope that you will
consider our comments as you review these reports.

Regards,

Cassandra McColman | Manager, Policy and Research

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May 3, 2021

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

Dear Cllr. McPhail:

RE: Draft Low End Market Rental and Secured Market Rental Policies

The Urban Development Institute – Pacific Region (UDI) has had the opportunity to review the *Options to Secure Market Rental Housing in New Development and Options to Increase Low End Market Rental (LEMR) Contributions* and the *Low End Market Rental Contribution Rate Review* reports. We commend Council's leadership in addressing the housing crisis and recognize staff efforts in providing an approach to deliver more LEMR homes and market rental housing in new projects. UDI does have several recommendations in the implementation of the policy that would assist our members in delivering the affordable housing that Richmond needs.

Proposed Density Bonus and Additional Offsets

With regard to the recommendations provided by staff to include a 0.1 FAR density bonus for the provision of market rental units, UDI appreciates the recognition that the new requirements will impact projects and that offsets are critical to allowing projects to proceed. Other local governments have offered density increases that fully offset the additional costs of inclusionary zoning policies. However, we fully understand that due to soil conditions and the YVR flight path, it is much more difficult for Richmond to provide these additional densities - although we ask that Richmond consider providing a higher density bonus. This would require more flexibility in setbacks. In addition, the City could consider providing the ability for projects to transfer the additional FAR space to other sites where it could be fully utilized.

We also recommend that the City consider additional offsets, including parking reductions to support the viability of projects. In the Metro Vancouver *2018 Regional Parking Study*, it was found that there was a substantial surplus of parking spaces in projects. In fact, the parking supply exceeded utilization by over 35%. Further, it was reported that "*Transit use is generally higher where apartment parking use is lower, especially for rental buildings.*" Parking spaces cost \$50,000 per stall. Some of our members have found that reducing parking by a reasonable number of stalls, can result in substantial savings if parkades do not require additional below-grade floors.

Grandfathering/Phasing

We were pleased that staff sought an economic analysis of the policy from G. P. Rollo & Associates (GPRA), which was included in the reports. The impact of the recommended new rental requirements will be pivotal for many builders who have already purchased land based on the existing policy. It is difficult to adjust pro-formas and financial arrangements after sites have been purchased; projects may have to be deferred, or prices increased - all of which will hinder affordability. This outcome can be avoided if projects already contemplated, can be grandfathered, and UDI supports the recommended grandfathering approach.

We ask that Council consider the advice in the GPRA Executive Summary to phase-in the policy. They suggest allowing "... *developers to make adjustments in their decision-making processes. The graduated rollout is recommended specifically because there is a wide range of land values reported by the City's real estate staff and this would allow time for expectations at the higher end of pricing to be curtailed.*" This could be accomplished by phasing-in the policy over three years.

Certainty and Predictability

Regardless of the offsets provided, certainty is critical for builders to deliver the homes that Richmond needs. If the proposed new rental requirements are adopted, it will be paramount that additional rental requirements not be added to projects. Our members and non-profit builders purchase sites based on stated and approved government policies. If these policies fluctuate and there is no certainty, it becomes difficult to move forward with projects because builders will not know what their costs will be, which makes it difficult to determine what an appropriate price is for redevelopment sites.

UDI is pleased that staff will be issuing an updated bulletin should the proposal be approved by Council. There are a number of issues that require clarification - especially with regard to how the space requirements for the LEMR and market rental housing units will be calculated. UDI would be pleased to work with staff on this through our Liaison Committee. Because of the need for certainty and predictability, UDI also supports staff's recommendations to increase the annual in-lieu contributions to reflect inflation to avoid substantial and surprise future increases in the rates.

Allowing Builders to Combine Mandated Units into Stand-alone PBR Buildings

UDI also recommends that the City consider allowing builders with several projects to combine and accumulate their obligated market rental and LEMR units under the proposed By-law, so they can build a stand-alone purpose-built rental (PBR) building. This would allow more efficiencies in managing the rental and LEMR units. In the staff reports, they note one of the achievements of the City's affordable housing policy is "*More than 600 affordable housing units in standalone affordable housing buildings. Examples of this approach include Storeys, Kiwanis Towers ...*"

Other PBR Incentives

We are pleased that the proposal intends to retain the incentives for 100% market PBR buildings. There may also be projects where builders would be prepared to substantially increase the number of market rental units in a project. We ask that the City consider allowing additional incentives for those units. For example, there was a provision for an

"undefined amount of bonus density on a site specific basis for projects that provide additional rental housing to address community need." We ask that this continues as well.

Although UDI is supportive of several elements in the recommended approach, it would be difficult for our members to meet the higher inclusionary zoning targets of the other options outlined in the reports – without substantially increasing the incentives, grandfathering and phasing of the policy. As noted by GPRA if the inclusionary zoning rates increased to 15% market rental and 15% (Option 3) LEMR, viability would be compromised for *"... significant number of properties in the City that may trade for well above the lowest values indicated and as such our recommendation is intended to reflect this reality."* The other Option that was reviewed would be even more challenging.

This is especially true because the policy is also being introduced in the context of other potential requirements. It's noted in reports to Council that *"... there are other referrals that staff are reviewing which relate to nonresidential space (e.g. , non-profit space needs) that may also impact the financial feasibility for multiple-family development."*

We ask that Planning Committee consider the implementation recommendations provided in this letter while evaluating the proposed market rental and LEMR policy. UDI looks forward to working collaboratively with Richmond in delivering more affordable homes for City residents as well as other issues.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Anne McMullin', with a stylized flourish at the end.

Anne McMullin
President and CEO