Schedule 1 to the Minutes of the Planning Committee meeting of Richmond City Council held on Tuesday, May 3, 2022.

From: John Roston, Mr <john.roston@mcgill.ca>
Sent: May 2, 2022 3:48 PM
To: McNulty,Bill; Steves,Harold; Day,Carol; Au,Chak; Loo,Alexa; Hobbs,Andy
Cc: Brodie, Malcolm; McPhail,Linda; Wolfe,Michael; CityClerk
Subject: Planning Committee Meeting on May 3

Dear Councillor McNulty,
I am copying the City Clerk to indicate that I would like to delegate remotely on Agenda Item 5, at the Planning Committee meeting on May 3. I would also like the comments below on this item attached to the minutes.

I would also like to delegate remotely on Agenda Item 7 and will also be sending written comments on that item shortly.

Thanks for your continuing cooperation on housing issues.
John Roston

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Submission by John Roston to the Planning Committee Meeting, May 3, 2022.
Agenda Item 5: RENT-TO-OWN DEVELOPMENTS IN RICHMOND

Why this referral motion should be defeated

This referral asks staff to provide information that is readily available by doing a simple Google search that will both explain how rent-to-own works (see below) and provide a long list of companies that provide rent-to-own agreements in the Lower Mainland.

Asking highly paid city staff to provide the secretarial function of a Google search is a waste of taxpayer funds. Since rent-to-own agreements are readily available and are a form of home purchase financing, there is no role for the City of Richmond to play any more than it does in the provision of home purchase mortgage financing. If these agreements were an answer to the current home affordability crisis, then they would already be in widespread use in Richmond.

Rent-to-Own Agreements

These agreements are similar in many ways to leasing a car with an option to purchase it at the end of the lease rather than paying the cash upfront to purchase the car. The leasing company is in business to make a profit on the transaction and so is the rent-to-own company.

The car is going to be worth less at the end of the lease, but the house is likely to be worth more. The rent-to-own agreement takes account of that by setting the option to purchase price higher than the current purchase price. On top of that, there is usually a non-refundable deposit toward the purchase which amounts to about 2-5% of the future purchase price.

The advantage of rent-to-own is that it locks in the price of the home that will be paid a few years down the road and does not require a down payment beyond the 2-5% deposit. The disadvantage is that it will cost the renter/buyer significantly more than a conventional purchase using a down payment and a mortgage. It is of interest to those who do not have a down payment and/or do not currently qualify for a mortgage due to a bad credit rating but know that their financial situation will be significantly better in a few years. If that significant financial improvement does not materialize on schedule, there will be a major financial loss on the rent-to-own agreement.

The renter/buyer needs a high income to qualify for rent-to-own since they will be paying a much higher rent than a tenant in purpose-built rental. The rent is generally high enough to allow 25% of it to be set aside toward purchase of the home.

Many rent-to-own agreements require the renter to pay the property taxes and all maintenance costs including major ones that would normally be paid by the landlord in purpose-built rental housing.

Some rent-to-own agreements require the renter to purchase the home at the end of the lease, but most agreements provide an option to purchase if your financial situation has improved and an option to leave at the end of the lease if you do not want to purchase. However, in the latter case, you will forfeit the deposit.