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Sent: May 2, 2022 4:37 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

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Dear Councillor McNulty,

Further to my previous email, I would like to delegate remotely on Agenda Item 7 at the May 3 meeting and would also like my written comments below to be attached to the minutes.

Thanks for your continuing cooperation on housing issues.

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**Submission by John Roston to the Planning Committee Meeting, May 3, 2022.
Agenda Item 7: INCENTIVES FOR DEVELOPERS TO BUILD AFFORDABLE HOUSING**

Previous referral motions

While I am in favour of this referral, it is important to review previous staff reports on this issue to ensure that incentives already discussed are included in the referral. In particular, the staff report of June 7, 2021 discusses incentives and the context for the report:

“Consideration of the staff reports on May 4, 2021, resulted in a number of questions from Planning Committee members and the staff reports were tabled to the June 23, 2021 Planning Committee meeting. The purpose of this report is to provide Planning Committee and City Council with responses to the questions from the May 4, 2021 Planning Committee meeting.”

Revitalization Tax Incentives

At that May 4, 2021 Planning Committee meeting, I delegated on Revitalization Tax Incentives as an incentive for the building of purpose-built rental housing. Part of the June 7, 2021 staff report is devoted to such incentives:

“Revitalization Tax Exemption for Affordable Housing

Section 226 of the *Community Charter* provides local governments with the authority to exempt eligible properties from the municipal portion of property taxes (land and/or improvements) to encourage various types of economic, social or environmental revitalization within a community for a maximum of 10 years. The exemption is a tool that a Council may use at its discretion to encourage the construction and/or preservation of affordable 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 staff report then raises several objections to the use of Revitalization Tax Incentives and I subsequently provided a rebuttal to those objections:

1. *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.

2. *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. Kelowna restricts it to the increase in value of the improvements built on the land. The city continues to collect the tax on the land at its increased valuation.

3. *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.

Other Incentives

The other incentives discussed in the staff report are:

Waive or Reduce Development Cost Charges (DCC)
Reduced Parking Requirements for Rental Housing