Schedule 2 to the Minutes of the Planning Committee meeting of Richmond City Council held on Tuesday, May 17, 2022.

From: John Roston, Mr <john.roston@mcgill.ca>
Sent: May 12, 2022 4:48 PM
To: McNulty,Bill; Steves,Harold; Day,Carol; Au,Chak; Loo,Alexa; Hobbs,Andy
Cc: Brodie, Malcolm; McPhail,Linda; Wolfe,Michael; CityClerk; Hopkins,John; Erceg,Joe
Subject: Planning Committee Meeting on May 17

Follow Up Flag: Follow up
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Dear Councillor McNulty,
I would like to delegate remotely on Agenda Item 3 at the May 17 meeting and would also like my letter below to John Hopkins to be attached to the minutes as my written submission.

Thanks for your continuing cooperation on housing issues.
John Roston

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From: John Roston, Mr
Sent: May 12, 2022 4:35 PM
To: Hopkins,John <JHopkins@richmond.ca>
Subject: Report for the May 17 Planning Committee

Hi John,
Comments and questions on your report for the May 17 Planning Committee:

The overall strategy envisioned by both your report and the Rollo consultants' report is to have a couple of floors of rental units in every high-rise strata condo building. This results in building hundreds of rental units and thousands of strata condo units, the latter for sale to investors. This is the exact opposite of what is needed – thousands of rental units and hundreds of strata condos. Worse than that, the rental units are managed by the strata condo developer that doesn't want to be in the rental business, can't get its money out quickly, relies on expensive bank financing and doesn't have enough rental units to benefit from economies of scale. The entire Rollo report is written from the point of view of this strata condo developer and how the rental units are a drag on the profitability of the project.

Contrast that strategy with projects that are 100% rental, owned by a pension plan or other entity that wants to be in the rental business, isn't looking to get its money out quickly, relies on cheap federal CMHC financing and benefits from economies of scale.

HOW DO WE GET THESE 100% RENTAL PROJECTS AND STOP TALKING ABOUT TOKEN 15% RENTAL??

Rental housing developers all say that the financial viability of their rental projects depends largely on their cost for the land. They point out that in many cases, rental is being built for landowners who have owned the land for many years, so the current assessed value of the land is irrelevant to the profitability of the project. The huge Lansdowne Centre project is an excellent example. Why is no mention made of this scenario in the report?

For projects where the developer is going out to buy the land, the report refers to land values provided by city staff. What are those values? The report mentions that they have increased. "This increase in value appears to be driven by speculation on either density increases or more likely in pricing increases for strata units in the future." In other words, the increased price is based on the assumption that the land will be rezoned for strata condos rather than rental units. The report also mentions that land values may well decrease if the city requires more rental units. What is the assessed value of land currently used for already built single family housing, for townhouses, for 100% rental, for 100% strata condo? If the city rezones single family land for 100% rental will that not limit the increase in land value and enable profitable rental development?

The other major cost factor which figures prominently in the report is financing. Again, it is written from the point of view of the strata developer with a couple of floors of rental rather than the 100% rental developer. "The viability of increasing market rental requirements on larger parcels generally declined quite quickly, due to the combination of the increased assessed value for land and the increased interest and carrying costs with larger developments, with many costs being incurred up front, but revenue being deferred for up to 10 years." ... "Generally financiers and banks view projects that are going to take a long time to develop to be a greater risk than projects to be completed in a relatively short time and make greater demands from the developer in terms of lending and financing costs." The strata condo developer has to wait 10 years to get his money back from monthly rental payments by tenants. The 100% rental developer finances the construction very cheaply through CMHC's Rental Construction Financing Initiative (Rental Construction Financing Initiative | CMHC (cmhc-schl.gc.ca)) then sells the project to a pension fund and gets the money back immediately. Why is no mention made of this scenario in the report?

THERE IS HUGE DEMAND FROM PENSION PLANS AND OTHERS FOR LARGE 100% RENTAL PROJECTS. THEY ARE A PRIORITY FOR THE FEDERAL AND BC GOVERNMENTS. WHY ARE WE NOT GETTING REPORTS ON HOW TO ATTRACT THESE PROJECTS?? Because the Mayor and councillors don't ask for them and instead look for token gestures toward rental while continuing to build far larger amounts of strata condos for sale to investors. I will share these comments with them.

Many thanks to you and your staff for the huge effort you put into answering questions from Council. Obviously, I believe that you are being asked the wrong questions.

Best.
John

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