

Rental Protection Fund Questions & Answers

Key Messages:

- The creation of a \$500 million Rental Protection Fund to protect renters from housing speculators and profiteers will preserve affordable rental housing stock and provide good homes for British Columbians for decades to come.
- The Rental Protection Fund will enable community housing providers to purchase and refurbish existing rental buildings at risk of redevelopment and co-operative housing developments at risk of significant rent increases from new owners, to preserve affordable housing in our province.
- Increasingly, affordable rental and co-operative housing units in older buildings are being bought up by large corporations, who evict existing tenants, allowing them to make huge profits, sometimes taking them off the market entirely.
- The Fund will ensure that more of these buildings are preserved and that rents remain affordable for thousands of families in our province.
- The Rental Protection Fund will provide one-time capital grants to non-profit housing organizations so they can purchase affordable residential rental buildings and co-ops for sale to protect the renters that are living there.
- Non-profit organizations will be supported in obtaining private financing so that income generated by the current rents will sustain the financing and operating costs of the property, minimizing the financial involvement of the province on an ongoing basis.
- The Fund will allow non-profits to prevent thousands of housing units from being lost to redevelopment.

Questions and Answers:

1. What are you announcing?

- The creation of a \$500 million Rental Protection Fund to protect renters from housing speculators and profiteers will preserve affordable rental housing stock and provide good homes for British Columbians for decades to come.
- The Rental Protection Fund will enable community housing providers to purchase and refurbish existing rental buildings at risk of redevelopment and co-operative housing developments at risk of significant rent increases from new owners, to preserve affordable housing in our province.
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- The Fund will allow non-profits to prevent thousands of housing units from being lost to redevelopment.

2. Where is the \$500 million coming from and what is the annual spend?

- This money is coming from the year-end 2022/23 provincial surplus.
- The funds would be transferred to the Rental Protection Fund Society prior to March 31, 2023, and then the Society can make the purchases at points in time of its choosing.

3. How will non-profits qualify for this funding?

- Those discussions are underway with the Rental Protection Fund Society, consisting of the BC Non-Profit Housing Association, Co-operative Housing Federation B.C., and the Aboriginal Housing Management Association.
- Further details will be made available as the Rental Protection Fund is created prior to March 31, 2023. This and other criteria for the fund expenditures will be contained in an agreement with the government when the funding is released.

4. How much money will non-profits be able to get?

- This will be a \$500 million Rental Protection Fund to preserve affordable rental housing stock and provide good homes for British Columbians.
- Further details will be made available as the Rental Protection Fund is created prior to March 31, 2023.

5. What non-profits will be eligible, must they be members of the BC Non-Profit Housing Association, Co-operative Housing Federation B.C., and the Aboriginal Housing Management Association?

- The intent of the fund is that it will be accessible to non-profits whether or not they are members of the three sponsoring organizations.
- Further details will be made available as the Rental Housing Acquisition Fund is created prior to March 31, 2023.

6. How soon will non-profits be able to access the funds?

- Further details will be made available as the Rental Protection Fund is created prior to March 31, 2023.
- It is important to note after the funding has been granted, it will take some time for the Society to undertake the appropriate due diligence to ensure that the most appropriate acquisitions are being made, to best protect key buildings within the existing rental and co-op housing stock that are most at risk.

7. How many buildings do you expect to save with this fund?

- The Fund will allow non-profits to save thousands of housing units from being lost to redevelopment.
- The precise number of housing units will be dependent on a number of factors that are yet to be determined, such as:
 - The location of the housing units; the cost per unit will be less outside of the Lower Mainland and Capitol Region.
 - The amortization period of the mortgage/loan
 - Potential to leverage private loans and not having the full unit paid by the grant.

8. How did you come up with this estimate of 'thousands of units'?

- The estimate comes from in-depth work undertaken by BC Housing and the Rental Protection Fund Society, looking at actual market costs of buildings/units and estimating what the equity to debt ratio would be for the average building in order to keep rents affordable.
- Should the amount of equity needed on average be less than has been estimated, then additional units could be purchased.

9. How confident are you that a \$500M fund can support the acquisition of thousands of homes?

- This \$500 million fund will support an average grant of \$250,000 per unit.
- Purchases will be funded from a combination of the grant as well as mortgage loan financing, given that the average cost of a unit in Vancouver is approximately \$400,000.
- There will be some purchases where a lower grant than \$250,000 will be needed, and therefore that will allow the Fund to purchase more units, as will longer amortization periods in some cases.
- Purchases have been modelled on buildings currently on the market in Vancouver, Metro Vancouver and the Capital Regional District and all would have required a grant of less than the \$250K per unit average.
- A successful Fund is likely to attract additional investors, stretching the original contribution from the Province to deliver even more homes.

10. At what rent or income levels would these homes be preserved?

- The objective is to keep rents as affordable as possible for the existing tenants, noting that monthly rental rates are regulated under the Residential Tenancy Act.

11. Once a building is purchased does this new society become the operator/landlord?

- No, the building will be owned and operated by a non-profit housing society, co-op, or community land trust.

12. Why not have BC Housing run this program, why have an outside entity run it?

- This has been a long-standing request of the non-profit housing groups, who already own and manage a large inventory of social housing.
- We feel they are best positioned to make acquisitions and ongoing management decisions.

13. As the Crown corporation responsible for housing in B.C. isn't this BC Housing's domain?

- While significant funding is provided for social housing by BC Housing for capital and operating expenses, most of that housing is owned and operated by non-profit housing providers.
- In total, over 800 non-profit housing providers own and manage about 65,000 units. This is particularly true for those living independently, such as lower income families and seniors. This has been a long-standing request of the non-profit housing groups, who already own and manage a large inventory of social housing.
- We feel they are best positioned to make acquisitions and ongoing management decisions.

14. Will government be involved in the decision making of what properties to acquire?

- No. While government will be setting out the criteria for purchases in the contribution agreement, the Society will be outside of government and therefore government involvement in governance and decision-making is not permitted.

15. How many rental buildings have been lost in BC?

- According to CMHC data, between 1991 and 2021, about 97,000 purpose-built rental units were either redeveloped or converted to more expensive units.
- This is why in spite of new construction in most years, the net number of units only increased from about 187,000 units to 197,000 units over this same period. This is one of the main reasons for the rental housing crisis in BC.

16. Why not build new buildings?

- Even with the construction of new buildings, we cannot build our way out of the housing shortage we have in B.C.
- What's needed is a multi-faceted approach that creates new affordable housing, and also preserves existing affordable housing.
- In spite of the new construction of rental housing in recent years, the loss of rental stock from redevelopments has made the net number of purpose built rental units in B.C. comparable to what it was in the early 1990s, while the population has grown by 50%.
- The net number of purpose-built rental units in B.C. was 186,596 in 1991 compared to 197,140 in 2021, an increase of only 6% in 30 years. This is despite the fact that gross new construction of these units has been quite high in recent years - with over 13,000 in 2021.

17. If losing rental housing to redevelopment is such a big problem, why don't you bring in province-wide rental displacement policies instead of buying these buildings?

- We must strike a balance that works for both building owners, many of which buildings are many decades old, and tenants.
- It is important to preserve incentives for developers to build new market rentals, which we all know are in short supply. That said, we are always looking at options that make sense for both renters and owners.
- We feel the best way to deal with the loss of affordable market rental and co-op housing is this Rental Protection Fund, which the non-profit housing sector has been calling on the province to do.

18. Is the expectation that non-profits will rehabilitate the buildings they purchase? Will that be a requirement? If so, how much of the funding goes to purchase and how much to rehabilitation?

- In cases where some immediate capital upgrades are necessary, they could be funded from a portion of the \$500M allocation.
- Based on estimates from BC Housing, annual funding of minor repairs and maintenance will be provided by the Province to the Rental Protection Fund Society of \$1M/year for every 400 units acquired.
- It also needs to be noted that rental revenues will still be collected from tenants, which depending on other costs, can be used to fund repairs as they are needed.

19. Will the units in these buildings be counted toward the Homes for BC target of 114,000 new affordable homes?

- Yes, they will be counted toward our affordable housing target of 114,000 homes over 10 years.

- These are homes that otherwise would've been lost to the private market, so we see them as being part of that target.
- Since 2017, the Province has more 36,000 affordable homes delivered or underway.
- A new report from BC Housing shows 2022 had the highest number of new purpose-built rental units on record.
- A total of 14,546 rental units were registered last year representing a 10% increase from 2021. Ten years prior, in 2012, BC Housing recorded less than 2,000 new rental units.

20. Is it true that the Fund is like HousingHub in that it will initially protect thousands of units but the investment funds will be reinvested to protect others once the new owners have received private financing?

- No. The difference is that the HousingHub provides low interest, short term construction loans that are paid back once the building opens and the private developer takes out a long-term mortgage. This "revolving credit" is then loaned to other HousingHub projects for the same purpose.
- This Fund will be a program where grants are provided, which form permanent equity in the buildings, which in turn reduces the amount of debt that has to be taken on to finance the purchase.

21. Can you provide an example of a building that was "saved" from redevelopment, where affordable rents were maintained?

Example One:

- One example is the purchase of Cardston Court in Burnaby, where we are announcing this Fund.
- Two cooperative housing buildings were purchased by the Community Land Trust last Spring for \$162 million, with a grant of almost \$30 million from the City of Burnaby and an interim loan from the Province.
- In that case, 425 housing units with affordable rents were preserved.
- Monthly rents will remain at affordable levels. **Please note: The Residential Tenancy Act does not apply to co-operatives.*

Example Two:

- Another example is a purchase that saw Brightside Community Homes acquire Arbutus Court in 2005.
- The building was acquired for \$2.8M and a major retrofit was completed.
- Rent geared to income rents were maintained at \$750/month.
- As of 2020, the average rent geared to income rent was \$865, as compared to an average of \$1,550 in market rent.

22. Is the decision to use the Society a result of the Ernst & Young report and concerns with internal concerns and oversight within BC Housing?

- No, it's not. The Society was chosen due to the sector's extensive experience with owning and operating non-profit housing, as well as the interest it has expressed over the last several years in taking on this initiative.

23. \$500 million is a significant amount of money and this is a newly formed Society. What due diligence has been done to ensure appropriate controls are in place?

- Staff in the Ministry of Housing is working on a legally binding contribution agreement that will spell out the purposes of the funding and the criteria, including reporting back conditions.
- This agreement will be reviewed by Treasury Board.
- The Society will also be subject to direction from a Board of Directors and will have to abide by-laws, just like all legally established societies.

24. What happens when the \$500 million runs out?

- Government will be closely monitoring the results achieved until the full amount is expended.
- At that point a decision on future allocation will be made.

25. Are there concerns that the price of acquisitions will increase because it is now known the government is the ultimate purchaser of these buildings?

- This concern is addressed by limiting the fund to \$500 million. While it is a substantial sum, we expect that it will be expended over no less than three years or about \$170 million/year.
- In 2021, the value of sales of apartment buildings was \$2.6 billion in Metro Vancouver alone.
- Therefore, we expect the program should amount to well under 10% of provincial market sales annually, which should not impact overall market prices.
- The Society will be expected to undertake the appropriate due diligence using professional appraisers to ensure that no more than fair market value is paid for buildings.

26. With all the issues we've seen with building management in recent months, why isn't government acquiring and managing the buildings themselves?

- The non-profit housing sector already owns and manages about 65,000 units of housing in B.C. and is well equipped to manage a fund of this magnitude.
- According to the well-respected, "Goodman Report" which regularly analyzes the Metro Vancouver rental apartment market, "Non-profits have a long history of buying and selling apartment buildings in Metro Vancouver."

27. Municipalities have indicated that they need funding to advance housing projects. Will you be providing them with funding as well?

- This is about ensuring that rental stock that is put up for sale on the private market, is preserved and maintained to provide affordable rental housing stock in the province.
- This Fund has been created to provide resources for the non-profit housing sector, to ensure that valuable and affordable rental housing is preserved for many years to come and that tenants are not displaced from their homes and their communities.
- Government has previously provided funding to assist municipalities with identifying housing need in their jurisdictions and streamlining their development approval process:
 - Government committed \$15 million in 2021 to the Local Government Development Approvals Program to support the implementation of established best practices and to test innovative approaches to improve development approvals processes while meeting local government planning and policy objectives.
 - We're going to continue to be there as partners for municipalities to do what we can to help them meet their housing targets and will be working closely with 8-10 municipalities on implementation this spring.

28. What does success look like one year from now?

- Government will be looking for a reasonable number of acquisitions of apartments that were at risk to being lost to the market, and that the appropriate due diligence was taken as part of the purchase process.
- There will be regular reporting on this progress.
- We do not want purchases to be rushed to ensure that the best acquisitions are made to preserve affordable housing.

29. What is government's plan for addressing the SROs?

- Following a request from former Minister responsible for Housing, David Eby, in August 2022, BC Housing launched a Request for Proposals for an independent firm to review the SRO Renewal Initiative P3 Project, announced in March 2012.
- The RFP process is nearly complete and BC Housing will be able to confirm details around the successful firm soon. The review is expected to begin by February and take several months.
- Key deliverables include:
 - Performance of the SRO Renewal Initiative P3 Project
 - Comparative analysis on the construction, post construction and all of the operations of a P3 vs a traditional model
 - To determine compliance of Project Co. with the requirements of the Project Agreement during the established review period
- In 2021, the City of Vancouver reached out to the Province and CMHC to form an intergovernmental working group to develop a coordinated investment strategy to replace or redevelop SROs.

- The first phase of the strategy will involve the renovation or redevelopment of 15 SROs.
- The second phase will assess 15 additional SROs for renovation or redevelopment.

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NEWS RELEASE

For Immediate Release
2023PREM0002-000023
Jan. 12, 2023

Office of the Premier
Ministry of Housing

New fund will protect thousands of renters in B.C.

BURNABY – More renters in B.C. will be protected from housing speculators and profiteers through the creation of a new \$500-million Rental Protection Fund dedicated to protecting tenants and preserving affordable rental homes for decades.

“Today, we’re taking action to protect renters who found an affordable place to live, but are worried their building will be bought out from underneath them,” said Premier David Eby. “This fund will allow non-profits to secure older rental buildings and protect vulnerable renters from speculators who can drive up rents and evict tenants who have lived there for years. Instead, community non-profits will now be able to work with tenants to make improvements or expand to house more people, and at the same time protect affordable housing.”

Increasingly, in B.C. and across Canada, older rental housing buildings are being bought by speculators and large corporations, such as real-estate investment trusts. Their business model often includes redeveloping properties so they can evict tenants, allowing the trusts to make large profits by either hiking rents or selling the units and taking much-needed rental housing off the market.

The Rental Protection Fund will provide one-time capital grants to non-profit housing organizations so they can purchase affordable residential rental buildings and ownership co-operatives listed for sale to protect the renters who are living there and safeguard those rental units for the longer term. The fund is expected to protect thousands of affordable housing units throughout the province.

A new report from BC Housing shows 2022 had the highest number of new purpose-built rental units on record. A total of 14,546 rental units were registered last year, representing a 10% increase from 2021. In 2012, BC Housing recorded fewer than 2,000 new rental units.

“Our province is building more rental housing than ever, but we must also protect what we have. It’s not acceptable for speculators to be pushing renters out of their homes,” said Ravi Kahlon, Minister of Housing. “By protecting more affordable housing, more people can stay in their homes and build a good life in B.C.”

Non-profit organizations will be supported in obtaining private financing so income generated by current rents will sustain the financing and operating costs of the property, minimizing the financial involvement of the Province.

The fund will be managed by an external entity, the Housing Protection Fund Society, consisting of the BC Non-Profit Housing Association (BCNPHA), Co-operative Housing Federation B.C. (CHFBC), and the Aboriginal Housing Management Association (AHMA).

“Everyone deserves to feel secure in their home,” said Spencer Chandra Herbert, MLA for Vancouver-West End, who was recently appointed as the Premier’s Liaison for Renters. “The failure to build and protect rental housing helped create the crisis we are in today. Our government is taking bold action to ensure everyone in our province has access to housing they can afford.”

The Rental Protection Fund will be operational in the coming months and will be financed prior to March 31, 2023.

Quotes:

Jill Atkey, CEO, BC Non-Profit Housing Association –

“The Province of B.C. is leading the way in addressing a critical gap in housing policy – the erosion of affordability in the private rental market. With this investment into the Rental Protection Fund, non-profits will be able to purchase existing rental homes and lock in their affordability forever, providing much-needed relief for existing residents and the generations that follow.”

Thom Armstrong, CEO, Co-operative Housing Federation BC –

“This is a groundbreaking move by the Province. Slowing the loss of affordable rental homes by taking them out of the market and protecting them forever in the community-housing sector will make life much more affordable for renters everywhere in B.C. This is the best thing the Province could have done to maximize the net impact of the affordable new supply it is already investing in. One hopes that other jurisdictions will follow suit, and the sooner the better.”

Margaret Pfoh, CEO, Aboriginal Housing Management Association –

“This funding will not only help create and preserve some long-term affordability in B.C., it is also an investment that will allow the AHMA to implement some of the pieces of our comprehensive provincial strategy built on 25 years of expertise. Having an Indigenous-led organization at the table as an equal partner with BCNPHA and CHFBC is another key step toward true reconciliation. This announcement speaks volumes to our relationship with the Province and enables us to put collective knowledge into action for the benefit of those who most need housing.”

Quick Facts:

- Aside from the new construction of rental housing in recent years, the loss of rental stock from redevelopments has made the net number of purpose-built rental units in B.C. comparable to what it was in the early 1990s, while the population has grown by 50%.
- According to Canada Mortgage and Housing Corporation data, between 1991 and 2021, approximately 97,000 purpose-built rental units in B.C. were either redeveloped or converted to more expensive units.
- According to the 2021 Census, there were 669,450 rental households in B.C., about one-third of all B.C. households.

Learn More:

A map showing the location of all announced provincially funded housing projects in B.C. is

available online: <https://www.bchousing.org/homes-for-BC>

Contacts:

George Smith
Director of Communications
Office of the Premier
George.Smith@gov.bc.ca

Ministry of Housing
Media Relations
236 478-0251

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Page 13 of 14

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Page 14 of 14

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