

**MINISTRY OF ATTORNEY GENERAL
HOUSING POLICY BRANCH
INFORMATION BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General and Minister Responsible for Housing

ISSUE: Impact of COVID-19 on the short-term rental market in British Columbia

SUMMARY:

- Prior to COVID-19, the growth of short-term rentals (STR) may have contributed to a reduction of housing supply in the ownership and rental markets across numerous communities in British Columbia.
- Since COVID-19 emerged, some BC communities have seen a sharp decline in the demand for STRs, while others have seen an increase (Attachment 1).

BACKGROUND:

Prior to COVID-19, STRs were a growing and profitable form of short-term accommodation. However, some research and anecdotal evidence suggests that STRs negatively impact housing supply and, by extension, affordability.

The Province took several actions on STRs as part of the Homes for BC: 30-Point Plan:

- On February 8, 2018 Airbnb agreed to collect and remit up to 11 per cent in taxes on reservations on behalf of its hosts: the 8 per cent provincial sales tax and, where applicable, a municipal and regional district tax of up to 3 per cent on accommodations. From October 2018 to September 2019, Airbnb publicly indicated that they remitted \$42 million; without at-source collection, hosts may have collected or remitted less tax.
- On November 30, 2018, strata corporations were allowed to fine up to \$1,000 a day for violations of strata bylaws that limit or ban STRs. This fine level was welcomed by the strata community and has curbed STRs; the previous fine of \$200 a week was an ineffective deterrent.

The Union of BC Municipalities (UBCM) made detailed STR recommendations in its February 2018 Housing Strategy: regulations, tax fairness and a good practices guide.

In December 2018, the Province's Rental Housing Task Force recommendation #11 asked the Province to "work with local and regional governments to develop, implement and enforce short-term rental rules to better protect long-term rental stock."

In September 2019, UBCM and the Province formed a joint STR Advisory Group. Nine local government representatives were appointed: Whistler (co-chair), Vancouver, Victoria, Nelson, Kelowna, Burnaby, the Islands Trust, the Regional District of the Thompson Okanagan and Tofino (Josie Osborne) with staff representation from the

Housing Policy Branch and the Planning and Land Use Management Branch (Ministry of Municipal Affairs). This group met twice in early 2020 and were in the process of identifying priority themes before going on hiatus due to the pandemic.

DISCUSSION:

Local governments in BC have some tools to regulate STRs, such as zoning and business licensing. Some local governments (e.g. Vancouver, Burnaby, Kelowna, Whistler, Tofino) have acted to regulate STRs to help protect long-term rental housing and allow residents to earn additional income. A key policy tool has been to restrict STRs to primary residences and to exclude commercial STR hosts; this requires proactive enforcement and high fines to implement effectively.

The City of Vancouver was an early adopter of STR regulations, dedicating several staff to researching and enforcing policies. In November 2020, the City convened a 14-member STR Community Working Group to monitor the effectiveness of its STR regulations including seven STR hosts and two renters.

Some local governments want provincial support to manage STRs, including access to reliable data (e.g. directly from online STR platforms), and requiring STR platforms to use and publish valid business licences with the online listings. Smaller communities cite limited staff resources as a barrier to implementing and enforcing STR policies.

Obtaining data to study the influence of STRs on the housing market has been challenging for both government and academics, as STR platforms are reluctant to share their data.

Preliminary STR-related observations in BC during Covid-19 indicate that:

- some STRs may have moved to the long-term rental market, but these units are often furnished and thus, leased at higher rental rates;
- there may be more vacancies in the long-term rental stock as households consolidate, and there are fewer domestic and international post-secondary students renting in urban centres since the pandemic¹; and
- some STR platforms have scaled back operations; Airbnb initially laid off staff but then pivoted to emphasize different services (e.g., “online experiences”) and recently completed the most highly valued Initial Public Offering of 2020 in the U.S.

Ministry staff are monitoring the impact of COVID-19 on STRs and the housing market. Appendix A provides a series of figures summarizing STR reservations across BC and select communities since January 2020. Some communities like Kelowna and Tofino experienced strong STR demand during 2020, while other communities like Vancouver and Victoria experienced reduced demand.

¹ CMHC's 2020 rental market data has not been released yet.

UBCM has contacted Housing Policy and Municipal Affairs staff inquiring when the Advisory Group will reconvene to resume priority theme identification and next steps. With Minister direction, Housing Policy Branch is prepared to work with Municipal Affairs jointly to determine responsibility for the process and reconvene the group.

INDIGENOUS PEOPLES CONSIDERATIONS:

Prior to the onset of COVID-19, the Housing Policy Branch was planning to consult with Indigenous organizations on the Advisory Group's STR policy work and explore any related issues for Indigenous communities.

GBA+ OR DIVERSITY AND INCLUSION IMPLICATIONS:

A lack of affordable housing in BC communities broadly affects low- and moderate-income residents including single-parent families, Indigenous peoples, students and seniors.

OTHER MINISTRIES IMPACTED/CONSULTED:

Ongoing consultation with the Ministry of Municipal Affairs, Ministry of Finance, Ministry of Tourism, Arts, Culture and Sport; and economic development officers in the Ministry of Forests, Lands and Natural Resource Operations.

Prepared by:

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Approved by:

Cheryl May
A/Associate Deputy Minister
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Attachment:

1. Analysis of the Impacts of COVID-19 on STR Activity in B.C.

Attachment 1: Analysis of the Impacts of COVID-19 on STR Activity in B.C.

Now that the initial shock of COVID-19 pandemic has passed, trends in STR markets across BC arising from the impacts of pandemic have become easier to distinguish in the experimental data² the Housing Policy Branch acquired to research the STR market. Most noteworthy is that the impacts of COVID-19 on STR activity across BC have been quite uneven, as demonstrated in Figure 1, depicting year-over-year comparisons of STR bookings³ for selected markets across BC and at the provincial level.

In some smaller tourism destination communities of BC, STR activity (as measured by the total number of reservations), has shown a surprising resilience, e.g. Tofino. Less surprising however, is the marked divergence in STR activity between urban and exurban areas (e.g. Vancouver vs. Kelowna). When aggregating trends across all markets in BC to the provincial level, STR activity appears to be in-line with levels last seen in 2017 overall (Figure 1).

While certain larger communities such as Vancouver and Victoria have seen rather dramatic reductions in STR bookings, it is interesting to note that the counts of properties listed on the Airbnb platform have not necessarily declined to the same corresponding degree across all communities (Figure 2). This phenomenon can be explained by a number of important factors:

1. The vast majority of units listed on the Airbnb platform are not used full-time as STRs, but are typically rented out sporadically by owner-occupiers, usually for short periods (such as a two- or three-night stays) at various points throughout the year.
2. While no formally agreed upon threshold of usage exists to delineate a property as being used “full-time” as a STR, many⁴ who have analyzed the issue of STRs agree that properties booked a cumulative total of more than 180 days per year are most likely being used as full-time STRs. The BC data shows:
 - a. As at November 2019, a total of roughly 35,000 uniquely identifiable properties were active on the Airbnb platform at least once throughout the last 12 months across all of B.C.
 - i. Of these 35,000 properties, roughly 86 per cent (~30,000) had cumulative totals of 180 nights or less booked throughout the year, indicating that many of these units would not be considered “full-time” STRs; and

² Sourced from a third-party provider (AirDNA) of web-scraped data from the Airbnb and HomeAway platforms only. Because Airbnb is the dominant platform by market share, and because there are many cross-postings of the same property across platforms, only Airbnb data is considered in this analysis.

³ Bookings measure the total count of days booked in a given month for a specific property, which are then aggregated at the specified geographic level at a monthly frequency.

⁴ Academics, governmental agencies, municipal governments, advocacy groups, consultants, etc.

- ii. Only about 14 per cent (~4,900) properties had a cumulative total of 180 nights or more booked throughout the year.
-
- 3. The stable and/or increasing trends in listing counts for tourism-driven locations such as Whistler or Tofino can also be explained by the fact many STR units in these communities have long-been investment properties for owners who do not necessarily reside in these same communities, and can therefore continue to be used as STR accommodation during the pandemic.
 - 4. Since domestic and international travel has been dramatically curtailed, many BC residents may have sought vacation opportunities within BC during the pandemic, which is consistent with the high levels of bookings observed in tourism destinations such as Tofino and Kelowna.

Figure 1 Total Number of Short-term Rental Days Booked in Select BC Communities

Total Number of Days Booked (Reservations)

Selected Geographies, by Month and Year

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Month

Source Data: AirDNA, Airbnb "entire home/apt" units only.

Figure 2 Monthly Listing Trends for Select B.C. Communities

Cliff: 577331
Date Prepared: December 17, 2020

Monthly Listing* Count Trends
Selected Geographies

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— Actual — Trend

Source Data: AirDNA, Airbnb "entire home/apt" units only.
* Unit is counted only once in the month it was active
to avoid double-counting.

**MINISTRY OF ATTORNEY GENERAL
HOUSING POLICY BRANCH
INFORMATION BRIEFING NOTE**

PURPOSE: For INFORMATION for David Eby, QC
Attorney General

ISSUE: Housing Acquisition Strategy for Affordable Rental Buildings

Meeting with (Attachment 1):

- Jill Atkey, CEO BC Non-Profit Housing Association (BCNPHA)
- Thom Armstrong, CEO Cooperative Housing Federation of BC (CHF-BC)
- Margaret Pfoh, CEO Aboriginal Housing Management Association (AHMA)

SUMMARY

- BCNPHA, CHF-BC, and AHMA have proposed a Housing Acquisition Strategy (HAS) (Attachment 2, 3) to enable community housing providers to acquire and maintain existing purpose-built rental buildings at affordable rents.
- The HAS calls for a \$500 million Provincial investment in capital grants, administered by BC Housing, plus low-cost financing, and potentially federal participation.

KEY MESSAGING:

- The need for action on affordable market rental housing is acute, and the proposed HAS is something this government has indicated interest in exploring, as indicated in its 2020 election platform.
- The HAS presents an opportunity to create a sustainable investment vehicle that combines public and social impact capital for outcomes beyond a one-time purchase of units.
- The investment structure, targets, geographic distribution, and ongoing viability of the acquired units are points that need to be further examined as part of evaluating a yet to be developed business plan.
- There are linkages between this HAS and the ongoing work by this government on the 30-Point Plan and investment strategies; participation by Ministry staff in a proposed steering committee will ensure alignment of these efforts and can inform and support the policy and economic analysis required to produce a business plan.

BACKGROUND:

- The Attorney General's mandate letter directs that he is to "deliver more affordable housing through Housing Hub partnerships by...expanding partnerships with non-profit and co-op housing providers to acquire and preserve existing rental housing."
- In the summer of 2020, BCNPHA and CHF-BC (under their umbrella alliance known as "Housing Central") developed a proposal for a HAS to purchase, operate and maintain existing purpose-built rental (PBR) buildings to preserve the units as affordable housing. AHMA has since added its name and support to the proposal.

- The proponents have been discussing the HAS proposal with BC Housing CEO Shayne Ramsay (Attachment 4) and have proposed the creation of a steering committee to develop the strategy further, including a formal business plan.
- The proposal provides a range of potential units that could be purchased but is not specific as to how many units of housing would be acquired or maintained using the requested \$500 million capital funds.
- The HAS assumes that community housing providers will preserve low rents in the acquired buildings by foregoing profit-taking activity and using subsidized financing for any building operations and required maintenance and renewal.

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- Market sales of multi-residential buildings in B.C. have varied in the past seven years from a low of 33 buildings (valued at \$388M) in 2013 to 85 buildings (\$1.51B) in 2018. In the first half of 2020, 30 buildings (\$620M) changed hands with an average unit price of \$362,469, while numerous deals were in the negotiation stage and expected to close in the latter half of 2020. Private investors made up the majority of vendors and purchasers in the first half of 2020, but market commentators expect Real Estate Investment Trusts and institutions are likely to emerge as buyers in late 2020 and into 2021. (Source: Avison Young, Multi-Family Investment Report, Fall 2020).

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- Investment vehicles aimed at acquisition and revitalization of existing older rental buildings exist, notably in Montreal and San Francisco, combining a variety of public, private, institutional and social capital sources along with legislative frameworks.

DISCUSSION:

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GBA+ OR DIVERSITY AND INCLUSION IMPLICATIONS:

GBA+ analysis has not been conducted on the draft proposal and will be undertaken should a formal business proposal be submitted for consideration by government.

OTHER MINISTRIES IMPACTED/CONSULTED:

The Ministry of Finance would need to be consulted should the HAS proceed.

Prepared by:

Susan Low
Senior Policy Analyst
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778-698-1690

Approved by:

Cheryl May
A/Associate Deputy Minister
Housing, Construction Standards,
and Multiculturalism
250 812-3345

Attachment(s)

1. Non-government meeting attendee biographies and organizational profiles
2. BCNPHA and CHFBC Housing Acquisition Strategy Brief, dated 2020 July 30
3. Housing Acquisition Strategy Presentation
4. BCNPHA, CHFBC and AHMA letters to Minister Eby and Shayne Ramsay, CEO
BC Housing

Non-government Meeting Attendee Biographies (January 12, 2021)

BC Non-Profit Housing Association (BCNPHA)

The BCNPHA has been the provincial umbrella organization for the non-profit housing sector for nearly 30 years. It serves more than 600 members, including non-profit housing societies, businesses, individuals, partners and stakeholders, with education and professional development opportunities, research and advocacy, and asset management services. BC's non-profit housing societies manage more than 60,000 units of long-term, affordable housing in over 2,500 buildings across the province.

Jill Atkey is Chief Executive Officer of the British Columbia Non-Profit Housing Association. She has 20 years of experience in the not-for-profit sector, and most recently led the development of the Canadian Rental Housing Index and oversaw the development of the Homes for BC: 30 Point Affordable Housing Plan. Jill is also a director at Encasa Financial, the Community Housing Transformation Centre, and the Chartered Institute of Housing.

Co-operative Housing Federation of British Columbia (CHF-BC)

The CHF-BC is made up of member housing co-ops and associated organizations across British Columbia. It represents and serves co-ops and their members and is the go-to hub for all matters related to co-op living. It is an independent organization with open and voluntary membership operating without government funding.

Thom Armstrong is the Chief Executive Officer of the Co-operative Housing Federation of British Columbia, COHO Management Services Society and the Community Land Trust Foundation of BC. He has held leadership positions in Saskatchewan, Ontario and British Columbia during more than 35 years of service in the co-operative housing movement. He also chairs the board of Encasa Financial Incorporated, a registered Investment Fund Manager for the capital reserves of Canada's community housing sector.

Aboriginal Housing Management Association (AHMA)

The Aboriginal Housing Management Association (AHMA) was created by the Province through BC Housing in 2004 to administer specific housing agreements between BC Housing and certain Indigenous housing providers respecting affordable housing units supported financially by BC Housing.

Margaret Pho is Tsimshian from the Lax Kw'alaams First Nation and brings more than 22 years of housing management experience to her leadership role as the Chief Executive Officer for the Aboriginal Housing Management Association (AHMA), a role she commenced in 2018. She previously served as President and Director of AHMA for nearly 20 years, supporting both the organization's evolution and successful devolution of provincial Aboriginal housing programs and services. Prior to her return to AHMA, she was the longstanding CEO of Mamele'awt Qweesome/To'o Housing Society (MQHS).

BCNPHA CHF BC Housing Acquisition Strategy – Summer 2020

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Acquisition Strategy Overview

Jill Atkey, BCNPHA

Thom Armstrong, CHF BC

September 10, 2020



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November 26, 2020

David Eby
Attorney General and Minister Responsible for Housing
Government of British Columbia
Parliament Buildings
Victoria, BC V8V 1X4

Meeting Request – BC's Rental Housing Acquisition Strategy

Dear Minister Eby,

On behalf of BC Non-Profit Housing Association, the Co-operative Housing Federation of BC, and the Aboriginal Housing Management Association, we would like to extend our sincerest congratulations on your reappointment as Attorney General and Minister Responsible for Housing.

We are grateful that you took the time to meet with us on August 5, 2020 to discuss our ideas for a Made in BC acquisition strategy for the community housing sector, in partnership with the Province of BC. Such a strategy would stem the rapid loss of affordable rental housing currently underway in BC. By our estimates, for every provincially assisted rental home built in BC between 2014 and 2019, three were lost in the wider market due to continued rent increases, demolitions, and conversions to other uses like strata or short-term rentals.

We are encouraged by your government's platform commitment to expand the role of Housing Hub "to partner with non-profit and co-op housing providers to acquire and preserve existing rental housing," which demonstrates this government's recognition of the problem and commitment to addressing the issue.

Since we last met, we have been working on this concept with BC Housing at the request of your predecessor, and we would very much appreciate an opportunity to meet with you again in the coming weeks. Our organizations and BC Housing have already committed to developing a steering committee to provide collaborative oversight of the strategy, and the community housing sector is well-positioned to move quickly on this initiative. Appended to this letter is our correspondence with Shayne Ramsay, CEO of BC Housing, that outlines high-level considerations to move the initiative forward.

We would be pleased to work with your office on scheduling and logistical details to move this ahead. Please do not hesitate to contact Jill Atkey at 778-867-8159 or jill@bcnpha.ca if you have questions or require further information.

Yours sincerely,



Jill Atkey
CEO
BCNPHA



Thom Armstrong
Executive Director
CHF BC



Margaret Pfoh
CEO
AHMA

Shayne Ramsay
CEO, BC Housing
Suite 1701-4555 Kingsway
Burnaby, BC V5H 4V8

November 17th, 2020

RE: Initiating the development of a Provincial Rental Housing Acquisition Strategy

Dear Shayne,

The Aboriginal Housing Management Association (AHMA), the Co-operative Housing Federation (CHF BC) and BC Non-Profit Housing Association (BCNPHA) want to initiate the development of a provincial rental housing acquisition strategy in partnership with BC Housing. The proposed strategy would help facilitate non-profit and co-operative housing providers in the community housing sector to acquire private purpose-built rental and other forms of affordable housing, so that they can be maintained affordably in perpetuity. This work is timely, given the newly elected provincial government's platform commitment to expand the role of Housing Hub to facilitate co-ops and non-profits to acquire housing, and our commitment to long-term retention and affordability of BC's housing stock.

The work is also timely given the severity and speed with which affordable rental housing is evaporating across the province. Between the 2011 and 2016 census periods, BC saw the disappearance of almost 34,000 rental homes costing \$750 or less per month. Assuming this rate of loss continued unabated, we estimate that for every **one** provincially funded affordable rental home built between 2014 and 2019, **three were lost**.

The global pandemic has exposed gaps in our economic and social safety nets and magnified inequalities within our housing system. To navigate through the current crisis, we will require innovation, flexibility, and leadership. The time to act on a provincial acquisition strategy is now.

At a high-level, the acquisition strategy needs to deliver low-cost financing and capital grants to facilitate purchases of real estate assets. CHF BC and BCNPHA (collectively known as Housing Central) propose a strategy funded at \$500 million in capital grants and \$500 million in low-cost financing, for a total size of \$1 billion. Early analysis by Housing Central suggests that these funding levels could obtain somewhere between 4,200 to 11,000 affordable homes, dependent on how the facility is structured, and the location of acquired properties.

To help guide the implementation process, CHF BC, BCNPHA, AHMA, and BC Housing have agreed to develop a steering committee that will oversee the contours and details of the strategy and business plan. We suggest that this steering committee be convened as soon as possible, to begin work on this important initiative.

While many details need to be developed in consultation with the partnership outlined above, we envision that BC Housing would be the lead organization administering the capital granting function of the strategy. The financing component could be delivered through existing channels like the Housing Hub, or through partner organizations like the Housing Investment Corporation.

In addition, Housing Central formally request the following considerations be included in the development of the strategy:

- 1) It should help the community housing sector to acquire and grow its housing assets. Developing a robust asset base will allow the community housing sector to leverage its equity and grow the stock over time, helping it to become more self-sufficient, and shielding it from unpredictable cycles of government funding and defunding.
- 2) The strategy should promote flexibility and speed in its acquisitions. To pursue acquisitions, a purchaser must be ready and nimble. In the absence of equity and pre-approved financing, a given non-profit entity is dependent on securing funding under a public program. Even in the best programs, the application and approval process takes time. To acquire properties, potential purchasers must be able to act quickly with few or no conditions on the offer. Without this assurance, they cannot compete with unconditional private offers.
- 3) In order to maximize its effectiveness, the acquisition strategy needs to be paired with funds to rehabilitate the acquired stock. Funding should be provided for building retrofits, renovation, and redevelopment.
- 4) The strategy should explore partnerships with other organizations to help increase its funding size. Key partners could include the Canada Mortgage and Housing Corporation, the Housing Investment Corporation, and other private funders.

Not responding to the rapid loss of affordable rental housing will have enormous social and economic consequences. The increasing loss of affordable rental homes at the current 3:1 ratio we are seeing in British Columbia will lead to more homelessness, more inequality, and more housing insecurity for tens of thousands of families and individuals. Furthermore, the loss of homes will negate the impact of the positive investments being made by government today.

The global pandemic provides a once in a generation moment to restructure fundamental aspects of our housing system and address existing gaps. We look forward to working together to fill these gaps.

Sincerely,

A handwritten signature in black ink, appearing to read "Jill Atkey".

Jill Atkey
Chief Executive Officer
BC Non-Profit Housing Association

A handwritten signature in black ink, appearing to read "Thom Armstrong".

Thom Armstrong
Chief Executive Officer
Co-op Housing Federation of BC

A handwritten signature in black ink, appearing to read "Margaret Pfoh".

Margaret Pfoh
Chief Executive Officer
Aboriginal Housing Management Association

**MINISTRY OF ATTORNEY GENERAL
HOUSING POLICY BRANCH
INFORMATION BRIEFING NOTE**

PURPOSE: For INFORMATION for Cheryl May
A/Associate Deputy Minister, Housing, Construction Standards, and
Multiculturalism

ISSUE:
Housing Acquisition Strategy for Affordable Rental Buildings

SUMMARY:

- Housing Central's draft Housing Acquisition Strategy (HAS) proposes government commit between \$500 million and \$1 billion to purchase and rehabilitate existing purpose built rental (PBR) buildings.
- The proposal estimates co-ops and non-profits could acquire and renovate between 4,200-11,000 units at affordable rents for households with incomes between \$44-61,000 annually.
- The proposal lacks clarity in several areas:
 - province's funding role in providing low-cost financing,
 - long-term financial viability of maintaining affordability (financial model),
 - certainty of the number of units that could be acquired, and
 - value of investing in acquisition versus other funding models.

BACKGROUND:

The Housing Central proposal includes \$500 million in grants and \$500 million in low-cost financing to support the acquisition and the rehabilitation of buildings to extend their economic life and increase their energy efficiency while preserving the affordability of those units.

A draft proposal and slide deck (Attachments 1 and 2) outline the proposed HAS but a detailed business plan has not been submitted for analysis to determine the financial feasibility of the strategy.

DISCUSSION:

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OTHER MINISTRIES IMPACTED/CONSULTED:

The Ministry of Finance and Treasury Board would need to be consulted should Housing Central submit a formal HAS proposal.

Prepared by:

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Approved by:

John Thomson
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Attachment(s)

1. BCNPHA CHF BC Housing Acquisition Strategy – Summer 2020
2. Housing Central Acquisition Strategy Overview Slide Deck

BCNPHA CHF BC Housing Acquisition Strategy – Summer 2020

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