

Proposal to Address Affordable Housing in BC

A. s.13,s.16

Brief Description and context of proposal:

Municipalities are able to issue “Municipal Revitalization Property Tax Exemptions” for eligible new purpose built rentals. *Budget 2018* extended the exemption to include that portion of property taxes paid to the Province, commonly known as the “School Tax.”

While no further policy change is suggested, s.13,s.16
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s.13,s.16 The provincial tax exemption requires the local government to pass a bylaw and waive or reduce their portion of the property tax on newly created rental units.

Key Elements of Proposal:

- The legislation is already in force and the exemption is available, s.13,s.16
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- For example, Kelowna and Prince George have both enacted municipal revitalization tax exemption bylaws for affordable rental housing and both exhibit dramatic spikes in exempt properties in 2018.
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Implementation Challenges:

- s.13,s.16

Next Steps for s.13,s.16

- s.13,s.16



BRIEFING NOTE FOR INFORMATION

Date: July 3, 2019
Prepared For: Honourable John Horgan, Premier
Title: Vancouver Priority Topics and Open Requests
Meeting With: Mayor Stewart, City of Vancouver on July 4, 2019.

SUMMARY:

1. The City of Vancouver faces a number of **housing issues**, including but not limited to: ongoing affordability and supply challenges across most income levels, increasing renovictions and decreasing security of tenure for renters, increasing homelessness, and lengthy development approval processes. BC Housing and MAH Staff are actively working with the City on all of these topics.
2. **s.13,s.16**
3. The City has been a key voice in a chorus of cities across the Lower Mainland who are concerned about the impact of **property assessments and tax impacts on small businesses**, especially in neighborhoods planned for increased density. The City has called on the Province to quickly implement recommendations made by the Metro Vancouver Property Assessment and Taxation Working Group, including split assessment and split classification for the 2020 tax year. **s.12,s.13**
4. **s.13,s.16,s.17**

BACKGROUND DETAIL:

1. Housing Issues

Modular Housing and Progress on BC Housing led Projects

The Province recognizes that there is an immediate need to provide housing and support services to people who are struggling with homelessness in BC.

Ten temporary modular housing developments, consisting of 13 buildings, have opened across the City of Vancouver as of June 2019, with a total of 605 units. Eighty-three percent of these units were filled by people experiencing homelessness – meaning that 494 people were able to get off the streets and out of shelters, and directly into homes of their own.

These 605 units are part of the Rapid Response to Homelessness program, which is bringing more than 2,000 modular supportive homes to communities across the province.

In addition, BC Housing is working closely with the City of Vancouver on a volume of other types of housing. For more details on current progress of BC housing projects in Vancouver, please see Attachment



Renovictions

In 2018, the provincial government created a Rental Housing Task Force (the Task Force) to allow British Columbians to give input on how to improve security and fairness for tenants and landlords. The Task Force released a final report in December 2018 containing 23 recommendations. The Task Force's number one recommendation is to stop renovictions.

Ministry of Municipal Affairs and Housing (MAH) staff are developing policy options to address the Task Force's recommendation to stop renovictions. As a first step, staff are preparing updated policy guidelines which were drafted with input from the City of Vancouver. The updates will help clarify what types of repairs or renovations require a tenancy to end.

The Residential Tenancy Branch (RTB) is working closely with Lower Mainland cities, especially Vancouver, on evaluating ways to strengthen protections from renovictions. The City and Provincial teams have met many times to evaluate near-term opportunities for action, including strengthening outreach and education.

RTB is also working closely with local governments to provide additional clarity on the existing provisions in the Residential Tenancy Act. RTB staff are available to deliver information sessions for tenants or to reach out to the landlord to provide information on the rules under the Act. The new Compliance and Enforcement Unit will have some capacity, depending on volumes, to intervene in these situations and inform landlord of their responsibilities under the Act.

Homelessness

The 2019 Vancouver Homeless Count report indicated a 2 percent increase and identified 2,223 homeless people, 1,609 of which are sheltered and 614 which are unsheltered. Sixty-two percent of unsheltered individuals are located within the Downtown East Side, 20 percent are located within the downtown area, 12 percent in the East Side. The City of Vancouver has a ratio of 35.2 homeless persons to 10,000 population, which is the highest among any other municipality within the Metro Vancouver area.

Oppenheimer Park

There are currently about 60 people sheltering in tents in Oppenheimer Park (400 Powell Street) in Vancouver. This number has fluctuated up to 100 over the past year, with people remaining in the park over the winter months. BC Housing reports that campers range in age from 19 to 79 years old and are disproportionately male.

MAH and BC Housing are working with the City of Vancouver on potential shelter and support solutions for the Oppenheimer population-this includes actively identifying long term shelter and housing options. s.13,s.16

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Outreach workers visit Oppenheimer Park daily to connect with the campers and offer housing and shelter options.

Development Approval Process Review

The Ministry is currently undertaking the Development Approvals Process Review, which is looking at ways to make the development approvals processes in BC more efficient and more effective. This was based on feedback during the development of the Housing strategy that planning and permitting times were impeding the development of affordable housing.

Between December 2018 and May 2019, consultation was undertaken with a broad range of stakeholders to identify challenges of the existing development approvals process as well as opportunities to address them.



The City of Vancouver was a key stakeholder in these consultations. Staff participated in

- the Working Group, which identified issues and opportunities and prioritized areas for analysis, and
- the Lower Mainland Technical Committee, which provided additional analysis and proposed implementable actions for consideration by the Working Group.

A final report on the consultation is currently being drafted.

The Ministry will continue to work closely with stakeholders, including the City of Vancouver, as it contemplates next steps.

2. Translink & the Supportive Policies Agreement

MAH is working with the City of Vancouver to implement its Supportive Policies Agreement between Translink and the City that was signed last year. **s.13**

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For example, Clause 6.3 states:

Purpose-Built Rental Housing

As part of the Affordable Housing Strategy, the City will create additional programs/policies to incentivize purpose-built rental housing (for example, by providing additional density for purpose-built rental-housing and endeavouring to leverage recently announced provincial rental-only zoning powers for local government). This work will be initiated in 2018, with a target completion by the end of 2021.

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there will be various opportunities over the next year to demonstrate how greater housing and affordability is being achieved in certain projects because of the Province's transit investments.

3. Property Assessments (Highest and Best Use)

Despite a general cooling trend in the BC real estate market, Metro Vancouver commercial properties with development potential continue to be in relatively high demand. At some point as a property approaches redevelopment, the Highest and Best Use (HBU) will switch from the current use to its potential future use (including value of unbuilt density).

As the HBU changes to recognize development potential, assessed values and property taxes increase; the cumulative impact of these increases over the last five years is challenging the economic viability of some community businesses, with a particularly strong impact on those operating under triple net leases, which require lessees to pay the property taxes. As tenants do not own the properties, they do not benefit from any appreciated value from redevelopment.

Small businesses with ownership in the properties may also be incented to divest the properties and close the operation resulting in the loss of jobs in the near term. Notably, the impact is transitional; it occurs between the time the property is identified for redevelopment and when it has been developed for the new use.

Metro Vancouver has approached the Province asking if it is possible to implement the recommendations on split classification and split assessment for the 2020 tax year with the priority being split assessment.



Split Classification:

- Allow municipalities to submit certain “specified” documents to effect split classification (i.e. moving some value from class 6 to class 1) in the context of the Amacon decision, without the need to add or amend zoning bylaws (e.g. authorizing a municipal officer to specify a property for split classification).

Split Assessment:

- Create a property sub class for Class 6 (Business and Other) that would apply to development properties.
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4. Other Open Requests from the City

Establishment of a Renter Centre

MAH has indicated support for the City of Vancouver’s establishment of a Renter Centre that will improve renter access to support, education and legal advocacy services for renters within a single location. The proposed 900 Howe Street location would operate as a shared space to offer services by non-profit renter-serving organizations, the Province’s Residential Tenancy Branch, and the City of Vancouver. Plans are underway to open the centre in 2021.

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Mayor Kennedy Stewart has previously expressed interest in a mandatory municipal lobbyist registry.

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In addition to the

City, Surrey has also expressed interest in a mandatory lobbyist registry and at the 2017 UBCM Convention a resolution (B99 Municipal Lobbyist Registry) was endorsed. s.13

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STRs: Data and Policy Implications

June 20, 2019

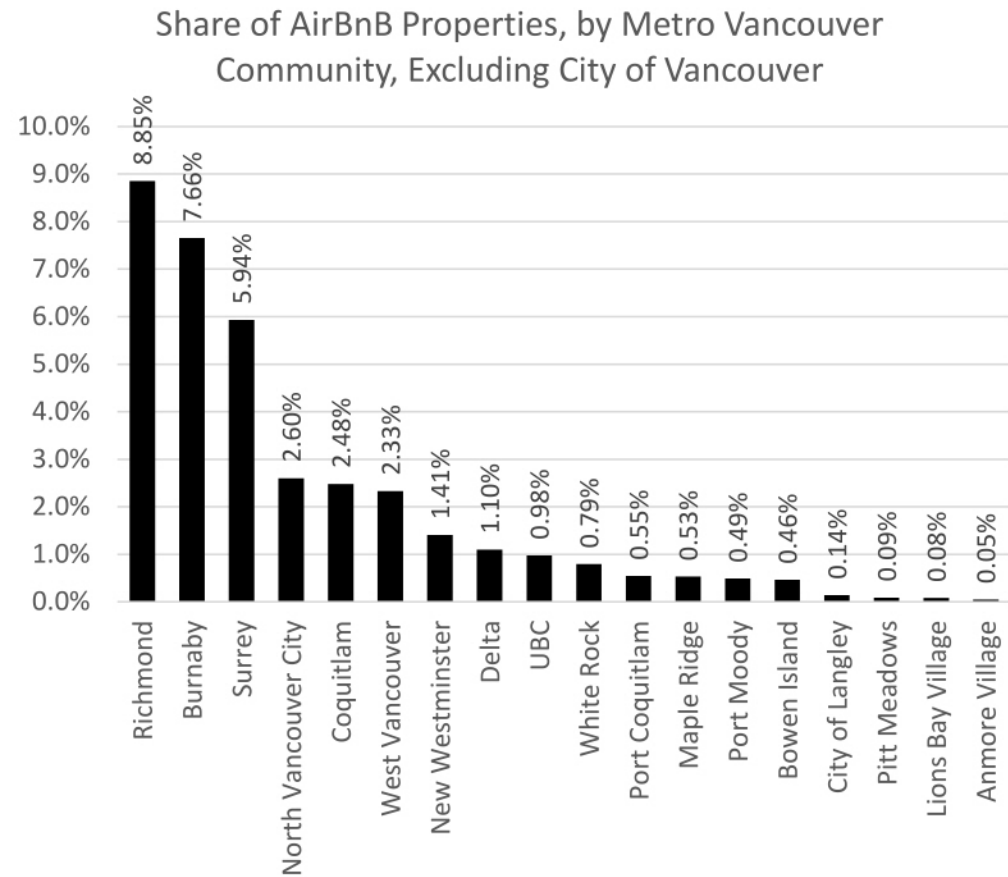
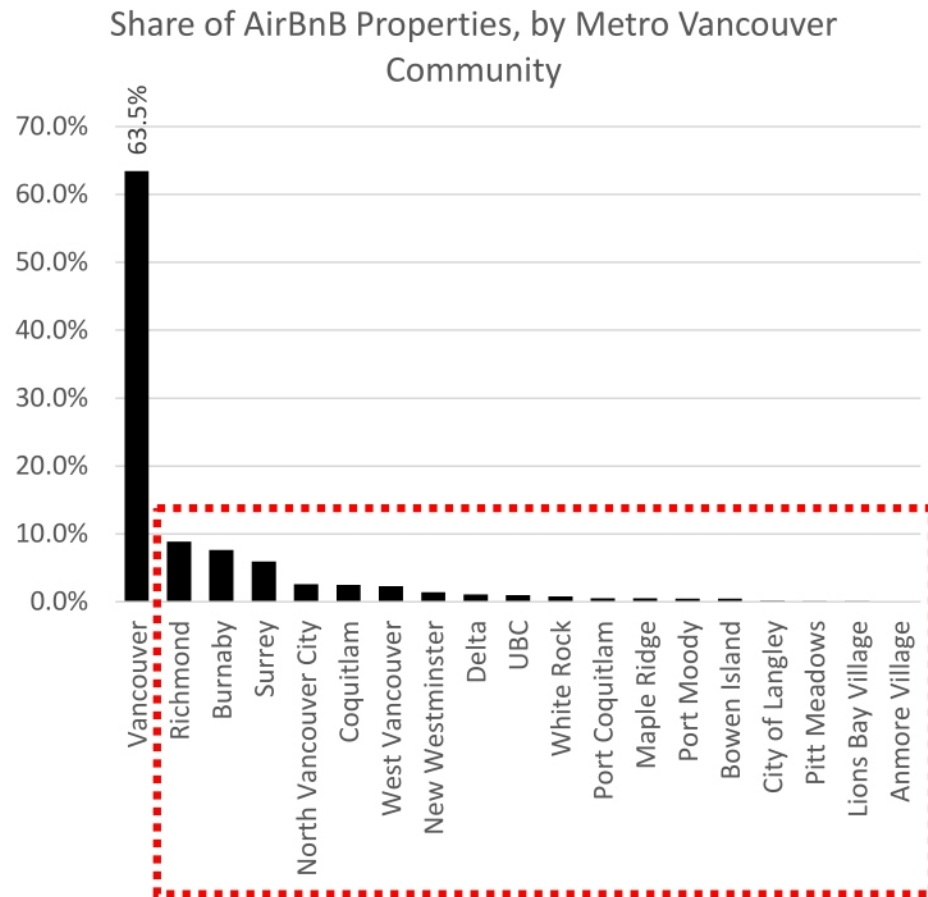
Andrew Lis, Senior Economist

Ministry of Municipal Affairs and Housing, Housing Policy Branch

Data and Caveats

- Data used in this presentation is from AirDNA (3rd party provider).
 - It's web-scraped, which means it comes with a host of quality issues:
 - Scrapes prior to 2014 were less frequent and less comprehensive, which means the data is likely under-reported before 2014.
 - Don't know if the scrapes capture everything, or how much STR activity they miss(ed).
 - Difficult to deal with issues like double counting from duplicate posts, or bogus ads, etc.
- AirDNA data is heavily AirBnB-centric, but there are many other STR platforms.
 - Featured data represents only part of the market, but AirBnB is (currently) the dominant platform.
- Important to distinguish between:
 - an individual property used for STR (what this presentation speaks to); versus
 - the number of times that property is listed on an STR site
 - **These two things are NOT the same! (A frequently mistake).**
- Have to be careful of **context** when analyzing these data – just because STRs may be a “problem” in one jurisdiction, doesn't necessarily mean the “problem” is the same everywhere.

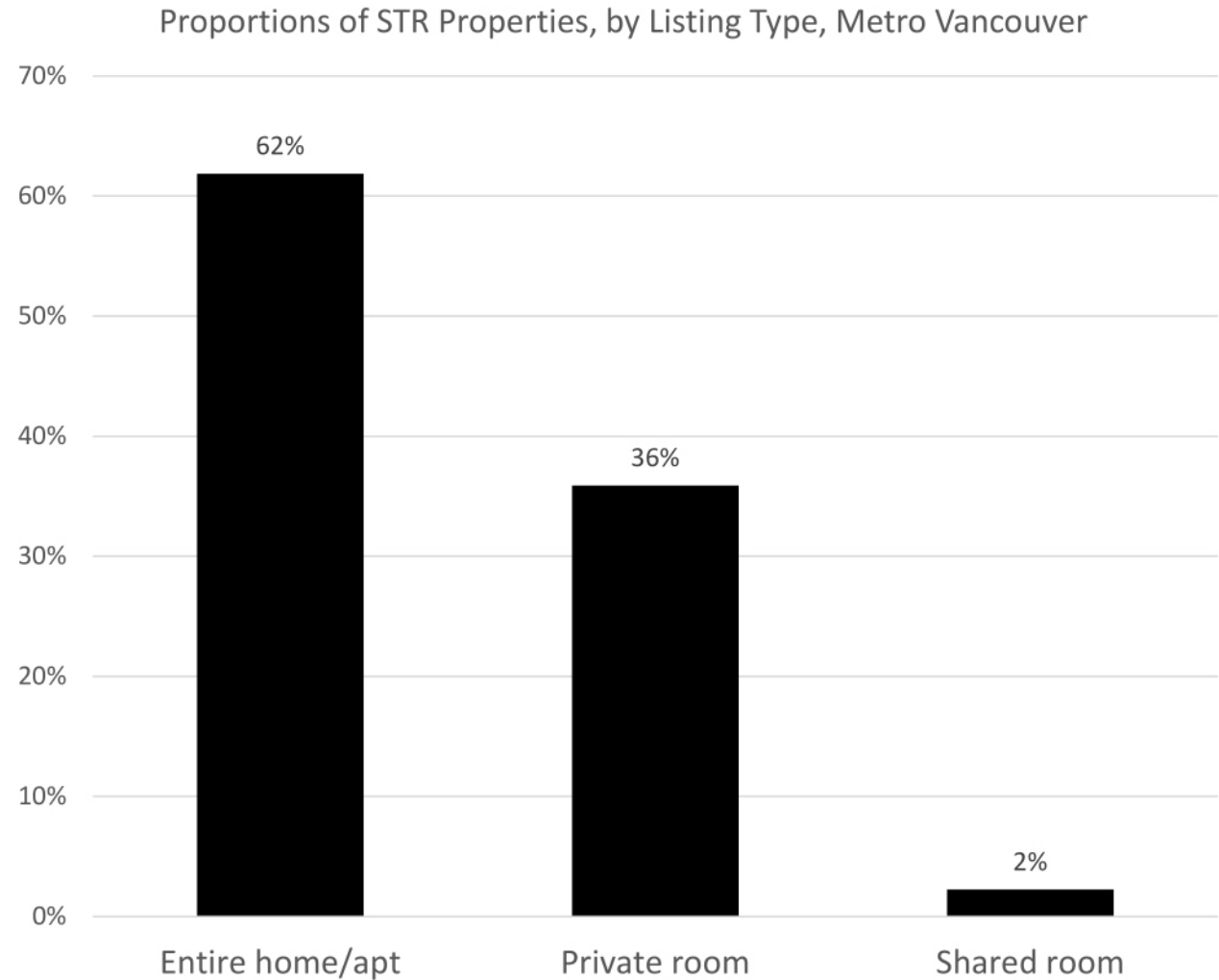
Distribution of STR* Properties, by Metro Vancouver Community



*AirBnB only, all Listing Types. Data Source: AirDNA, 2018 data.

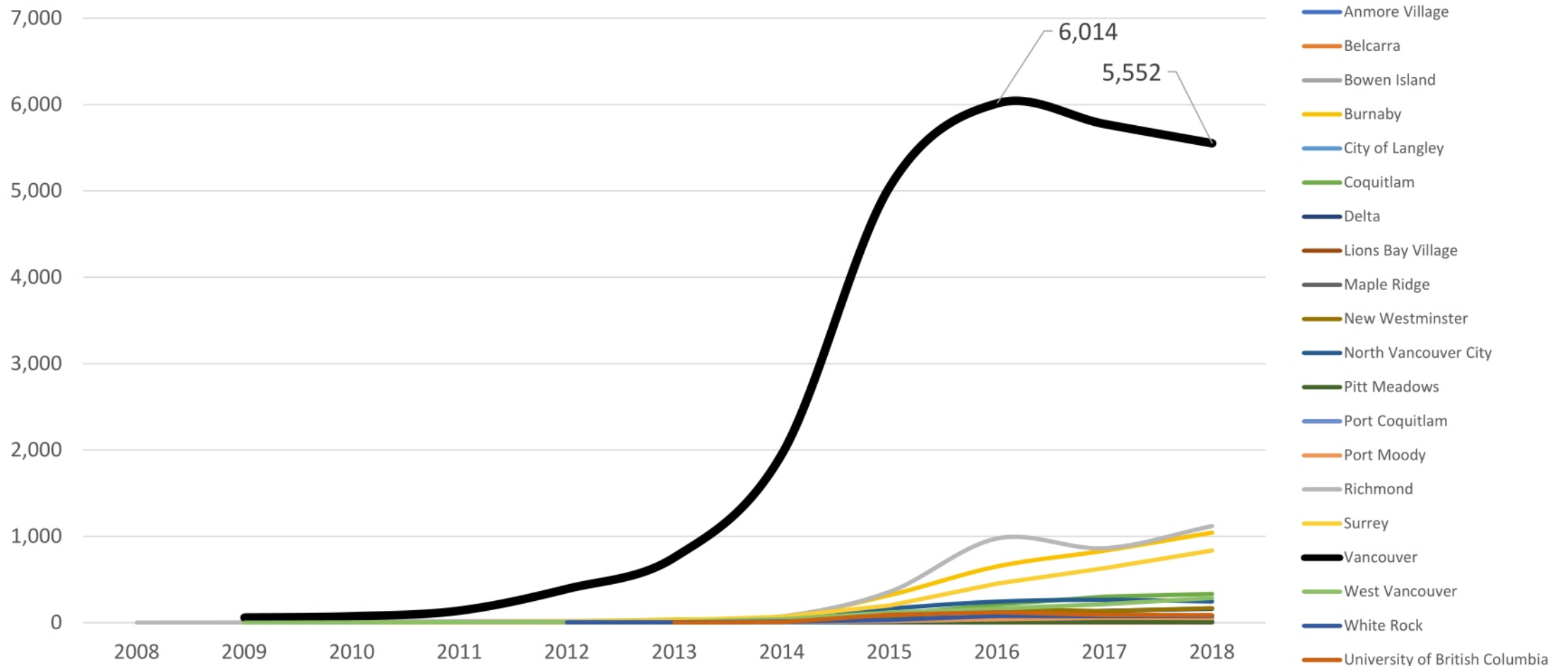
Most Predominant Listing Type?

- Most STRs* across Metro Vancouver communities are Entire Home / Apt.
- Note that Entire Home / Apt does NOT mean that these are units used 100% of the time as STR – these could also be units where the owner is away and rents out the entire dwelling occasionally.
- Private rooms make up about 36%, but difficult to argue these are removing from the housing stock, since in most cases, the owner probably lives in the unit.
 - *Notable exception are “STR Hotels” which might use this classification.*
 - *These are (probably) still fairly rare, relatively speaking.*
- Shared rooms are not very common at all.



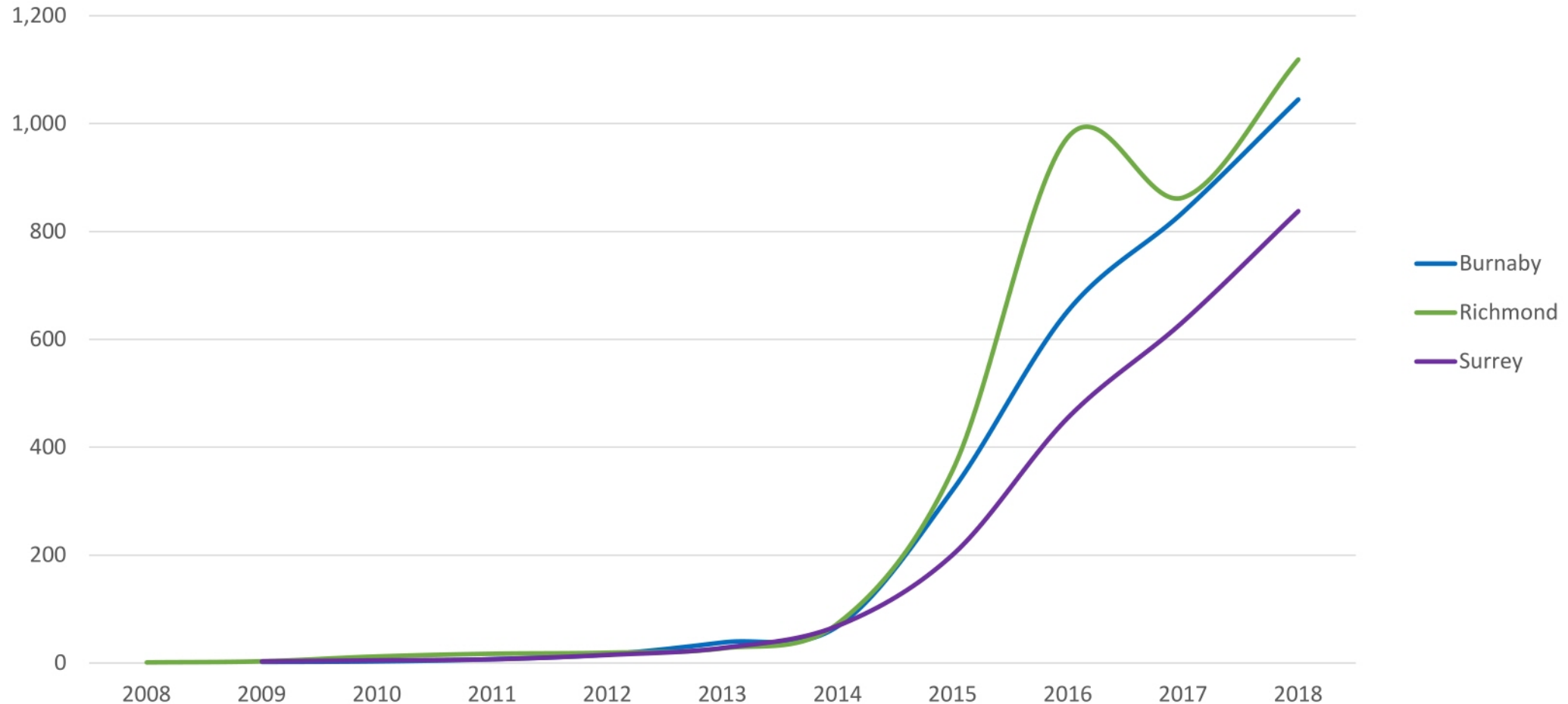
*AirBnB only. Data Source: AirDNA, 2018 data.

Growth in Number of STRs* in Metro Vancouver Communities, including City of Vancouver



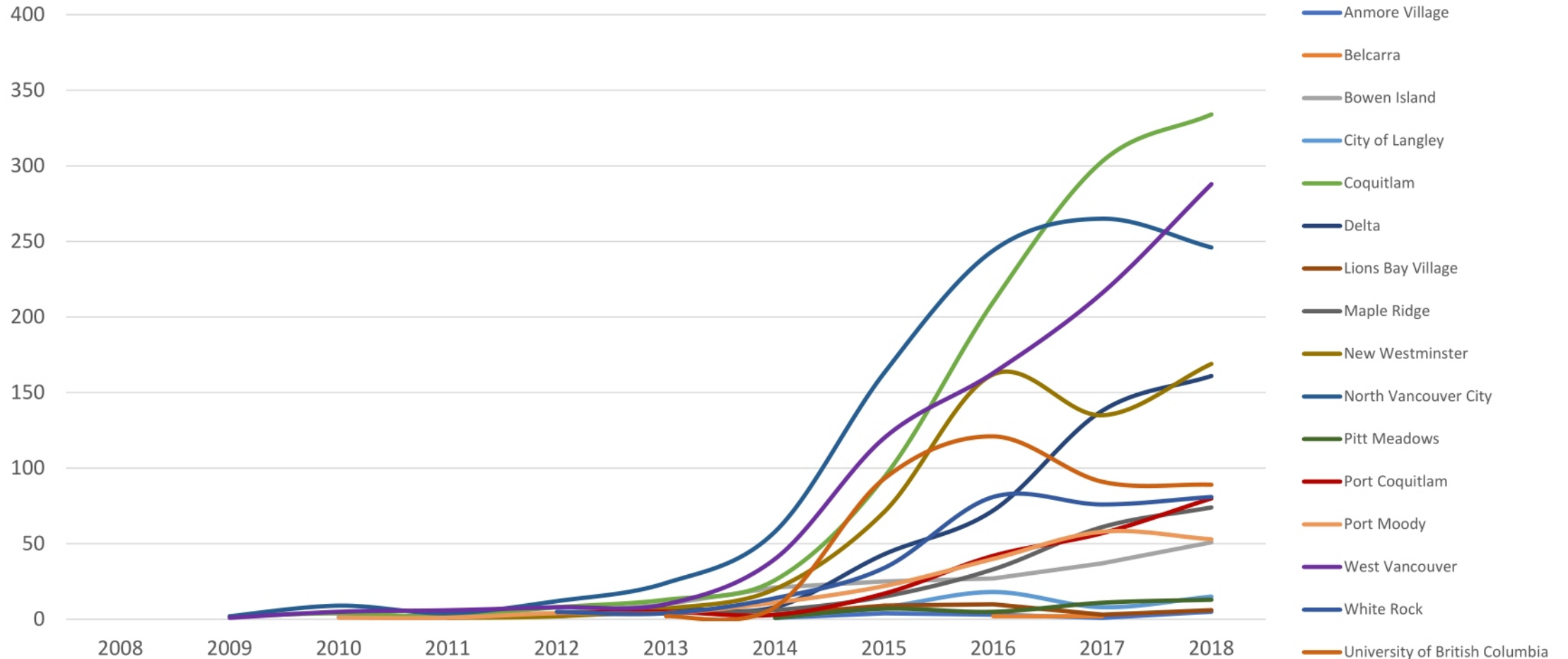
*AirBnB only, all Listing Types. Data prior to 2014 is under-reported. Data Source: AirDNA.

Growth in Number of STRs* in Burnaby, Richmond, and Surrey



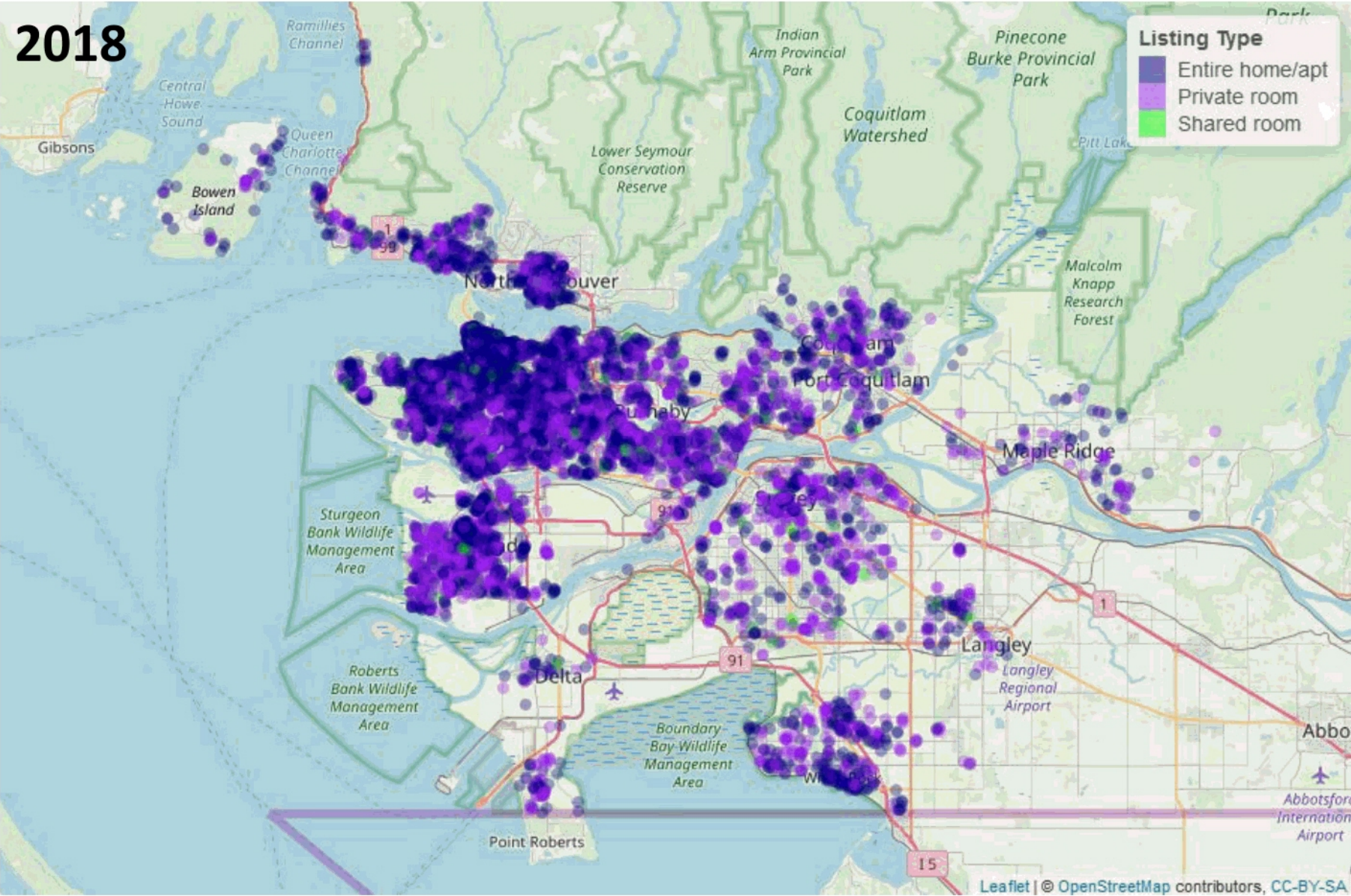
*AirBnB only, all Listing Types. Data prior to 2014 is under-reported. Data Source: AirDNA.

Growth in Number of STRs* in Metro Vancouver Communities, excluding: City of Vancouver, Burnaby, Richmond, and Surrey



*AirBnB only, all Listing Types. Data prior to 2014 is under-reported. Data Source: AirDNA.

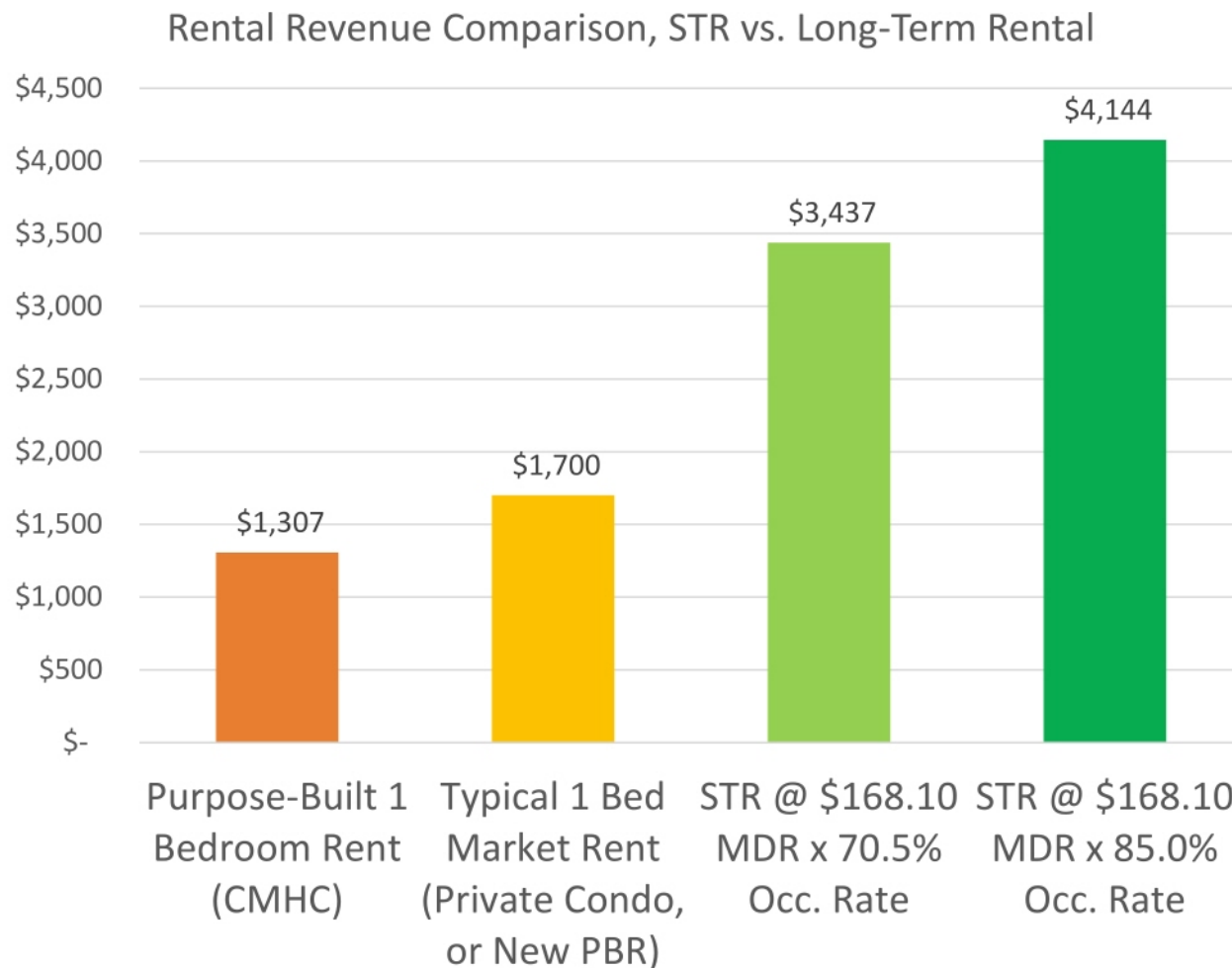
Time-lapse: STR* Properties, By Listing Type, Metro Vancouver, 2007 - 2018



*AirBnB only. Data prior to 2014 is under-reported. Data Source: AirDNA.

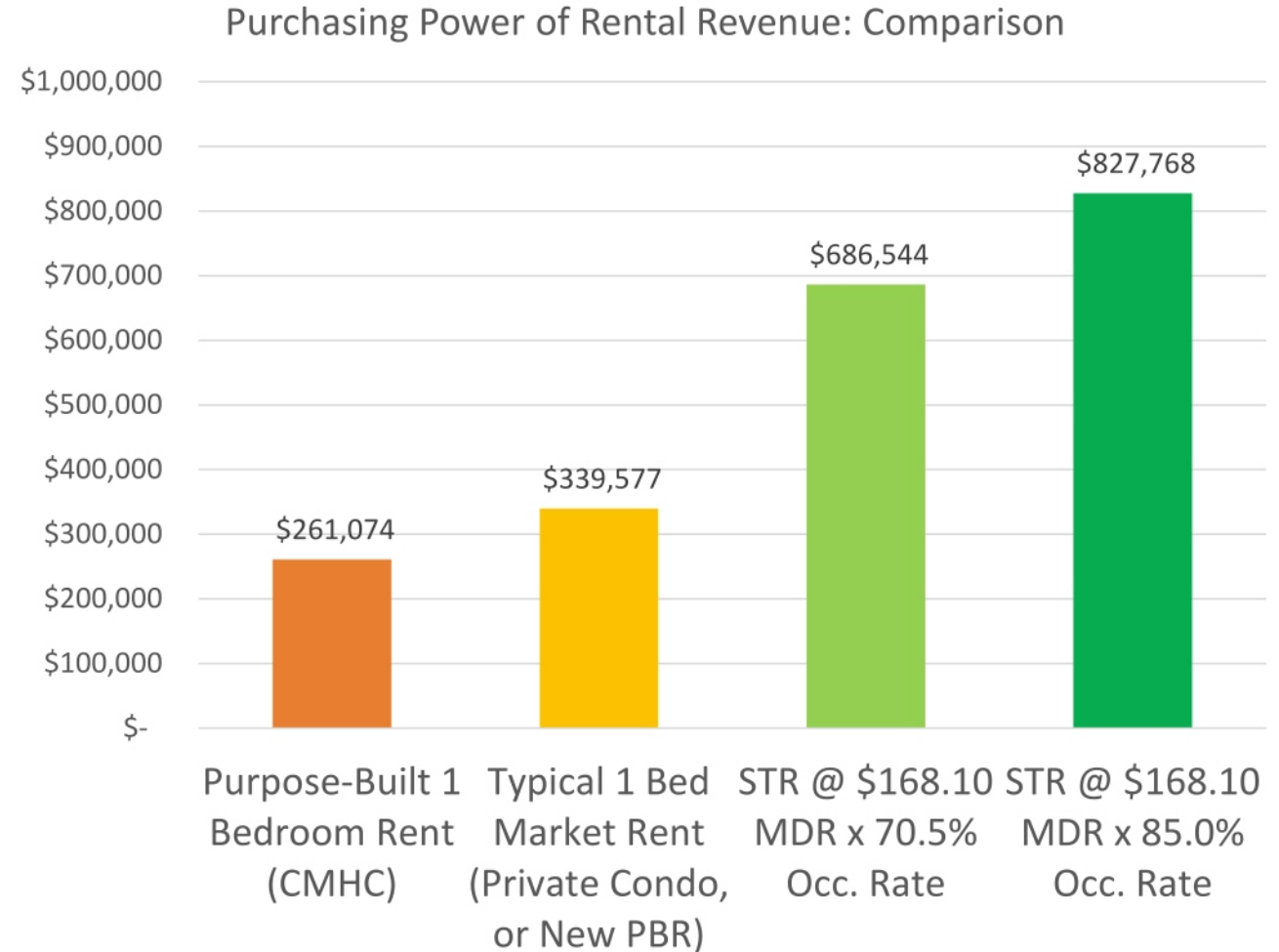
STR* Economics: Oversimplified Example

- Purpose-Built 1 Bedroom Apartment Monthly Rental Rate (CMHC, Vancouver CMA): \$1,307
- Typical 1 Bedroom Apartment Monthly Rental Rate (Privately Leased Condo or New Purpose-Built Rental, Vancouver CMA) : ~\$1,700
- Median STR Daily Rental Rate (MDR)** across Metro Vancouver Communities: \$168.10
- Median STR Occupancy Rate (Last 12 Months)** across Metro Vancouver Communities : 70.5%
- 29 Days Per Month x 70.5% Occupancy Rate x \$168.10 Median Daily Rate = \$3,437 per Month (Gross)
- STR @ 85% Occupancy Rate = \$4,144



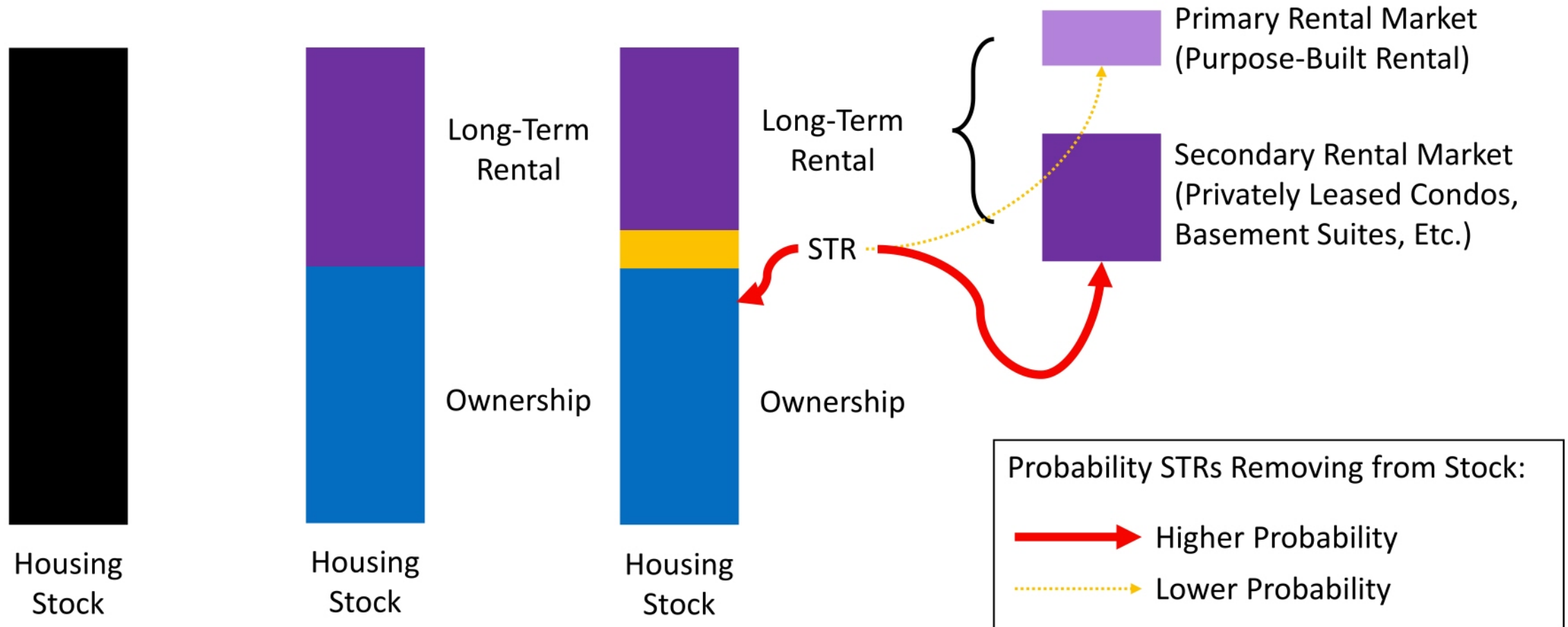
STR* Economics: Oversimplified Example

- **Question:** How much mortgage would each rental revenue stream buy a potential investor?
- Easy to see how STRs could have an inflationary effect on housing prices, which can have the effect of lifting rental rates for long-term rental, since investors in that space have to compete with investors in the STR space for properties.
- Aside from monetary incentive, not having long-term tenancy agreements could be seen as a huge plus from an investor perspective.
 - Less Risk + More Liquidity + Beneficial Capital Gains Tax Treatment (if Primary Residence).



*Calculations are based on monthly rental rates in previous slide. Assumptions: 3.5% Mortgage Rate, 25 Year Amortization, Zero Down Payment, Debt-Service Costs only, (including interest and principal payment), taxes excluded.

STRs – How is the Housing Stock Affected?



Soapbox Minute

- Too much focus on STRs and the vacancy rate in rental market – extremely misunderstood metric!
- The often-cited vacancy rate reported by CMHC is for the Primary Rental market. The vacancy rate for the Secondary Rental market is much harder to determine because of limited data and / or poor data quality.
- The Primary Rental Market represents only about 1/3 of the stock of rented units in the Vancouver CMA. The other 2/3 is in the Secondary Rental Market.
- Vacancy rate is unlikely to budge, unless significant amount of new Purpose-Built Rental (PBR) units get built (highly unlikely, given poor economic feasibility).
- Important to understand that STR impacts on rental market are complicated. Just because the vacancy rate is low, doesn't mean STRs are the culprit!
- **It's not all about the vacancy rate!!**

Vancouver CMA

2016

Renter Households ¹	348,700
Purpose-Built Universe, Primary Rental Market ²	110,973
Vacancy Rate, Primary Rental Market ³	0.7%
Occupied Purpose-Built Units ⁴	110,196
Estimated # of Households (HH) in Secondary Market	238,504
Estimated # of HH in Sec. Mkt as % of all Renter Housholds	68.4%

¹ Per 2016 Census

² Apartments and Row Units

³ Across all unit types (Apartment and Row)

⁴ Occupied Units = Total Universe Less Vacant Units (Primary Market).

Data Source: CMHC, Statistics Canada, Calculations by Housing Policy Branch

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Thanks!

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Speculation Tax Region	Renter Households ⁴	Purpose-Built Rental Mar	
		Units	Vacant Units
Metro Vancouver ^{1, 2}	345,120	112,228	1,122
Capital Region District ^{1, 3}	60,430	26,371	290
City of Abbotsford	14,720	3,878	31
District of Mission	3,065	434	7
City of Chilliwack	8,775	3,283	56
City of Kelowna	17,180	5,545	105
District of West Kelowna	2,010	156	1
City of Nanaimo	17,900	4,060	97
Totals & Overall Vacancy Rate	469,200	155,955	1,709

¹ Primary Rental Market data (from CMHC) are for the Vancouver and Victoria CMAs respectively, which

² Excluding Bowen Island, the Village of Lions Bay and Electoral Area A, but including UBC and the Univer

³ Excluding Salt Spring Island, Juan de Fuca Electoral Area, and the Southern Gulf Islands

⁴ Renter household counts are from Census 2016.

⁵ Primary (purpose-built) rental market data from CMHC October 2018 rental market survey.

⁶ These figures are estimated using CMHC (2018) and Census (2016) data, and include strata and non-str

⁷ Strata units for which the owner claimed the Rental Restriction Bylaw (RRB) exemption on the 2018 Sp

⁸ Strata units for which the owner declared vacant on the 2018 Speculation and Vacancy Tax forms.

ket⁵	Secondary Rental Market⁶	BC Assessment and Speculation & Vac	
Vacancy Rate (%)	Units	Strata Units	Strata Units w/ RRB⁷
1.0	234,014	360,833	2,618
1.1	34,349	34,919	552
0.8	10,873	15,221	86
1.6	2,638	987	7
1.7	5,548	9,220	47
1.9	11,740	16,650	172
0.8	1,855	2,136	33
2.4	13,937	6,397	70
1.1	314,954	446,363	3,585

do not closely match the speculation tax regions, but are not precise matches.

University Endowment Lands

strata dwelling types.

Speculation and Vacancy Tax forms.

ancy Tax Data	
Strata Units Vacant ⁸	
	800
	229
	19
	3
	11
	61
	30
	21
	<hr/>
	1,174