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July 6, 2018

Spencer Chandra-Herbert, MLA, Vancouver-West End
Chair of the Rental Housing Task Force
Parliament Buildings
Victoria, BC V8V 1X4

Dear Chair:

***Re: Urban Development Institute Recommendations to
the Rental Housing Task Force***

On behalf of our over 850 members that comprise all facets of the development and planning community, I would like to thank you for inviting the Urban Development Institute (UDI) to meet with the Rental Housing Task Force on May 31, 2018. Unfortunately, due to the conflicting schedules of the Task Force members, we were unable to get a full hearing with the Committee as hoped. We've also heard from our members in recent days concerned they were unable to register to participate in the Task Force's community meetings.

Accordingly, UDI would welcome another opportunity to meet with you and the Task Force to discuss the industry's perspective regarding the *Residential Tenancy Act (RTA)*. This could also potentially include members of UDI's and LandlordBC's joint Rental Housing Committee, which is made up of members who build and manage new purpose built rental housing across British Columbia. This Committee was established to provide advice to governments on how to develop policies that promote rental housing construction, which is important for the Government, given its commitment to build 114,000 rental and social housing units over the next decade. Our industry is eager to partner with the Government to meet its housing commitments.

It is important to understand, however, that purpose-built rental housing is a significantly different financial model than building strata. It's a longer-term and more tenuous financial model, and it's only due to the record low interest rate environment and incentives provided by municipalities that we have seen significant new rental built in recent years.

While the Government is introducing programs to further incent rental housing, *Budget 2018* includes several added costs for new rental projects. Currently, the Speculation, School and Luxury Property Transfer Taxes apply to the development lands of residential projects – including rental ones. Based on a recent analysis by

one of our members, added up, these taxes could add over \$850 per year to a tenant's rent in a new project.

UDI is deeply concerned that further regulatory changes could add more disincentives to building rental housing. The *RTA* as it is currently enacted, strikes an effective and fair balance between protecting tenants and allowing landlords to recover expenses, and in ideal circumstances generate a modest return on investment. A key concern UDI has with potentially more changes to the *RTA*, is the continued uncertainty it would bring. The Government has already made several changes to the *Act*, including improving tenant rights during renovations/redevelopment, putting limits on fixed-term leases and eliminating geographic rent increases. In addition, the Government is increasing resources for the RTB and enforcement of the *RTA*, which UDI strongly supports.

Further changes to the *Act* could undermine private sector investment in new rental housing. The developers of these projects are impacted by risk far more and longer than strata developers. Strata projects are risky, but only for a few years. Once the developer closes on the sale of the units in a building, they receive their revenues, so there is little to no further risk for them. A rental developer has to wait decades to earn the revenues to pay back their land, construction, soft and financing costs. They have to trust that over that time, the regulatory and tax framework will not radically change; otherwise, they may choose to build other types of product, or worse, invest outside of British Columbia.

As such, UDI strongly recommends against any further material changes to the *RTA*, and specifically, UDI recommends protecting the 2%+CPI annual increase formula, and the ability to adjust rates to market when a tenant concludes tenancy. Certainly, if the Government considers more tinkering, or whole sale changes to the *RTA* that impact these two policies, the shift away from rental will be immediate, and likely result in thousands of rental units currently in the development pipeline to be forced to switch over to strata condo development, as we have seen recently in [Toronto](#).

Again, UDI would be pleased to discuss these issues with you and the Task Force. If you have any questions, please do not hesitate to contact me.

Yours sincerely,



Anne McMullin
President and CEO