

November 14, 2018

BC Rental Housing Task Force
BC Legislature
Victoria, BC
V8V 1X4

Dear MLA Spencer Chandra-Herbert; MLA Adam Olsen; and MLA Ronna-Rae Leonard

RE: City of Vancouver Comments to the Rental Housing Task Force

Renters in BC communities are facing a crisis. In Vancouver, renters face a vacancy rate below one per cent and a rising average rent level across the City, with CMHC reporting rent increases above the RTA allowable maximum for the past several years. Even more concerning are the lived experiences behind these numbers – renter households spending a growing share of their income on housing costs instead of other necessities, or fearing eviction because of the limited alternatives in the neighborhoods they call home.

However, in spite of these challenges the number and share of renters in BC cities is increasing, reflecting the rising cost of ownership and the need for mobility to pursue work or education. Rental housing has become critical infrastructure for supporting the local economy and a diverse population. Municipalities are taking action to protect existing rental housing and create new rental, resulting in significant growth in our private rental stock for the first time in decades. Private landlords have taken on the responsibility of providing safe, secure housing for a growing share of our population. These trends underscore the importance of a fair and equitable framework for landlord and renter rights and responsibilities in BC.

The City of Vancouver applauds the BC government for appointing the Rental Housing Task Force to examine the current policy context for renters and landlords, and identify opportunities for reform and renewal. We welcome the opportunity to provide written comments to the Rental Housing Task Force in addition to our in-person presentation earlier this month. The City is in a unique position to comment – similar to the BC government, we face the challenge of protecting renters and vulnerable residents, while also working with landlords and the development industry to encourage investment in existing and new rental housing.

Our feedback is framed around key opportunities for the Rental Housing Task Force to address the issue of balance between security of tenure for renters and the need for reinvestment in and redevelopment of existing rental housing. The RTA is responsible for facilitating this balance, as well as additional policy opportunities for the Province, federal government, and municipalities. Our comments are related primarily to purpose-built rental housing, given its crucial role in providing secure, long-term tenancies for existing renters in the City of Vancouver. Secondary rental housing – including basement suites and rented strata – is also an important source of rental housing in the city, accounting for up to 50% of rental accommodation in the city by some estimates. However, the nature of the landlord-renter relationship in these cases means that this housing is fundamentally less secure than purpose-built rental housing. Our

focus continues to be protecting and expanding the stock of purpose-built rental housing and advocating for supports for all renters.

Opportunity 1: In the case of minor renovations that may not require renter displacement, ensuring clarity in the Notice to End Tenancy for renovations to prevent unnecessary evictions

When we consult with Vancouver renters about their housing challenges, one of the top concerns we hear is the risk of being evicted due to minor renovations to their unit or building, with the primary motive being to turn over the unit and increase rents up to new market levels. The significant increase in market rents in recent years has created an environment where unit turnover can mean significant yield for owners, and low rental vacancy rates make for relative ease in finding new tenants willing to pay new, higher rents. We hear about these cases most often when a rental property is sold to a new owner. Whereas long-term property owners typically favour maintaining stable tenancies, new owners may look to unit turnover as a way to raise revenues on a new investment.

At the City, we understand the importance of providing landlords with a means to vacate suites to do certain critical upgrades that are too invasive to be done with tenants in the unit. Recommendations regarding these types of upgrades are discussed in Section 2, below. As demonstrated in a recent consultant study prepared for the City of Vancouver, however, most of the structural upgrades and energy retrofits required in wood-frame rental buildings as part of regular or long-term maintenance are regularly undertaken in strata with residents in place or with only short-term, temporary displacement. It is possible that many needed current and future renovations could be undertaken with stable tenancies in place, without displacing existing renters.

The current RTA landlord-renter framework should provide greater clarity for both landlords and renters about the type of upgrades that actually require suites to be vacated. Guidelines recently issued by the Residential Tenancy Branch clarify that the intent of the RTA is to ensure consistent tenancies and only enable evictions when work cannot be done without the unit being vacated. However, there is no specific guidance on the types of work that may or may not require a unit to be vacated, and final judgement is often left to arbitrators only after a notice has been issued. The absence of a clear standard has created uncertainty both on the side of renters and owners.

Recommendations:

In the context of the current housing crisis, maintaining stable tenancies is key to ensuring affordability and quality of life for existing renters. This principal carries over to the issue of how to structure the legal framework for ending tenancies for renovations. The following recommendations suggest opportunities to clarify and enhance the RTA in order to minimize displacement of renters due to renovations.

- **Recommendation 1: Provide clear guidelines regarding renovations or repairs that do not require units to be vacated.** As noted above, major upgrades are often undertaken in strata and co-op type housing without permanent displacement of existing residents. The RTA should clarify the type or extent of work that can reasonably be done

while maintaining consistent tenancies, without displacing renters, such as exterior work, window replacement, and minor electrical or plumbing upgrades. The RTB could also enhance this standard by consulting with municipalities on the permit process and the various types of permits issued for typical upgrades. ,

- **Recommendation 2: Explore opportunities to clarify/modify renters' rights to quiet enjoyment** in situations where renovations are taking place with renters in the unit with the objective of preventing displacement. Some types of multi-day renovations may involve some disruption to a renter's quiet enjoyment of the property, but might otherwise be reasonably undertaken without permanent displacement. In these cases, the RTA should establish a framework whereby landlords can provide assistance with temporary accommodation, along with a guarantee that work will be done with minimal damage or disruption and in a reasonable time frame.
- **Recommendation 3: Require proof of permits as part of the Notice to End Tenancy for renovations.** At the City, we often hear from renters seeking information about permits issued for their buildings, in order to understand the basis of a Notice to End Tenancy for renovation or to support a complaint being filed with the Residential Tenancy Branch. The City has taken action to facilitate this process, including waiving fees for file research requests submitted by a tenant or non-profit advocates to provide documents that are required to meet obligations of the Residential Tenancy Branch. However, considerable clarity could be introduced to the Notice by requiring proof of permits (such as specific permit numbers and proof of issuance) as part of the Notice to End Tenancy for renovations.

Opportunity 2: In the case of major renovations requiring temporary or permanent renter displacement, ensuring that the RTA prioritizes stable tenancies and provides adequate support for renters

Over half (52%) of Vancouver's purpose-built rental buildings were constructed between 1950 and 1980s, meaning a significant proportion of our rental housing will begin reaching fifty to seventy years of age in coming years. This is also the case in other major BC municipalities. These buildings will likely require major fire, safety, seismic, structural, and energy-efficient retrofits in coming decades. As noted above, some of these upgrades may be sufficiently invasive so as to require units to be vacated. In some cases, it may be preferable to fully redevelop existing rental buildings, particularly when redevelopment would result in a net increase in rental units. In all of these cases, under the current RTA framework this means the potential for significant disruption and dislocation of existing renters in coming years.

Under the current RTA, renters are provided four months' notice and one month of free rent when they are required to vacate for landlord's use for renovations, demolition, or conversion. We have heard from renters that this level of assistance is far from sufficient to cover the costs required to move and transition to a new home, particularly if they are currently paying low rents. Renters recently gained the right of first refusal to return to their renovated building if they are displaced; however, the right of first refusal guaranteed under the RTA does not come with affordability requirements, which may limit its viability for existing renters.

In cases where purpose-built rental is being renovated or redeveloped under a development permit (e.g. work requiring reconfiguration of existing unit layouts, adding height or density, or demolition) in the City of Vancouver, renters may be eligible for additional assistance and support under the City's Tenant Relocation and Protection Policy, including up to 6 months' free rent. The policy also requires that renters are guaranteed the right of first refusal to return to a replacement unit, at a 20% discount below new market rents. However, the City's policy does not cover work happening under building permits only - which cover a broad scope of types of work for buildings with varying impacts on existing renters.

Ensuring a safe, resilient rental stock and expanding the supply of rental housing are both key priorities for the City; however, the trade-offs are significant. In the context of today's high rents and extremely low rental vacancy, displacement can mean serious challenges for renter households who relied on affordable rents in their existing units in order to stay in the City. Many renters – particularly seniors, families, and people earning lower incomes – find they are unable to find a suitable replacement home when they are displaced. On the other side, we hear from landlords who report that they face challenges financing major repairs and retrofits with existing rental revenue, and that the RTA provides only limited opportunity to raise rents for emergency repairs.

Recommendations

The feedback we have heard from renters and landlords in the City suggests that the RTA is not structured appropriately to facilitate the broad-scale renewal of the existing rental stock that we can expect in coming decades while protecting existing renters. The following recommendations suggest several approaches to adapting the RTA to suit the modern context – some of which would be easily adaptable within the current system, and others which are modeled off of alternative systems in the US, but which may be useful models for reform. These requirements could be scaled back for individual homeowners renting two or fewer units, reflecting the additional burden these requirements would pose for non-professional landlords.

- **Recommendation 1: Require additional compensation and a more robust right of first refusal for renters under the Notice to End Tenancy for renovations.** Landlords managing two or more units should be required to provide additional compensation to renters receiving a Notice to End Tenancy for renovation, with additional months' rent provided based on economic need or based on length of tenancy as is currently done by the City. This assistance should also include a Right of First Refusal to a unit in the new or renovated building at a discounted rent level below market.
- **Recommendation 2: Work with municipalities to coordinate municipal and community supports for renters and landlords.** Municipalities and community-based organizations, including advocates, play a crucial role in supporting renters with understanding their rights when they are facing and providing clarity to landlords on their rights and responsibilities. The City of Vancouver has taken steps in this respect by hiring a new Renter Advocacy and Services officer, who will focus on meeting renter needs and maximizing external partnerships with existing renter serving organizations and advocacy groups. There should be a corresponding resource on the Provincial side to coordinate with municipalities, community groups, and advocates to ensure adequate community-based supports for renters.

- **Recommendation 3: Explore alternative models for facilitating major building renewal in other cities.** Several North American cities have significantly more comprehensive systems for regulating and overseeing renewal of existing rental buildings while protecting existing tenants. In Los Angeles, for instance, the municipal government has the authority to require robust plans for conducting work while keeping tenants in place, allowing modest and controlled rent increases to reflect the cost of additional work on condition that the work does not require tenant displacement. These models are based on a different framework for state/municipal authority than what currently exists in BC. However, we believe there are aspects of these approaches that could be embedded in the RTA and/or municipal charters, in order to create a more robust framework for rental improvement.

Opportunity 3: Supporting landlords with needed upgrades in existing rental housing

Even with the current increase in senior government investment in social and supportive housing, the vast majority of affordable purpose-built rental in Vancouver is owned and managed by private landlords. In this context, existing private rental owners are key stakeholders in the discussion regarding how to protect, renew and expand the existing rental stock, and are ultimately the key actors responsible for maintenance and upgrade of existing rental buildings. As part of our work to understand the future needs of existing rental housing, the City undertook consultation with twenty rental owners as part of the City-commissioned rental reinvestment study, as well as conversations with several rental owners and LandlordBC.

Through this consultation, we learned that most landlords undertake renewals on an as-needed basis, with some indicating that they have a longer-term capital plan for renewals. Several noted a preference to undertake as many renewals as possible with minimal disruption to existing tenancies; however, some landlords also noted that more comprehensive renewals projects (e.g. a major modernization of a building after a recent sale) may not be economically feasible or desirable without displacement of existing renters. Landlords agreed that government incentives would be welcome and effective tools for encouraging renovations in existing rental, and urged the City and senior government to work with landlords on future initiatives.

Based on what we learned through consultation with landlords and renters, City staff have committed to exploring opportunities to encourage renewal of existing rental. This includes a new pilot initiative with LandlordBC to support landlords with building condition assessments, energy audits, and long-term capital planning, as well as sharing information about how to work with existing renters through the renewal process. We see other municipalities like the City of Victoria also launching pilots with the same objective of ensuring a resilient rental stock for the future while minimizing renter displacement.

There is a key role in this work for partnerships between municipalities, the province, and federal government. We have already seen important steps from the province in assisting cities with protecting existing rental and renters and creating and securing new rental housing, particularly the recent legislation giving municipalities authority to zone for rental tenure, recent RTA changes, and the Rental Housing Task Force. At the federal level, there is a proposed National Housing Benefit that could provide housing assistance to as many as 300,000

households across Canada, as well as significant funding for reinvestment in existing non-market rental housing.

Recommendations:

In addition to potential policy options for the City to explore, there are a broad suite of policy options that senior governments could pursue in order to create an environment that is more encouraging of critical renewals in existing purpose-built rental housing. Many of these options have been the focus of advocacy by major stakeholder groups, including LandlordBC, the Canadian Federation of Apartment Associations, and the Federation of Canadian Municipalities. Several suggested options are outlined below, including considerations for policy evaluation and implementation.

- **Recommendation 1: Promote long-term capital planning and energy assessments in existing rental.** Through our work understanding the future needs of the City's rental stock, we learned that a key barrier to renewing existing rental is a limited knowledge and/or capacity among smaller landlords to undertake long-term capital planning and energy benchmarking for buildings they own. A long-term capital and financial plan, when coupled with an assessment of the condition of major building systems and an energy assessment, can reduce deferral of major capital expenditures and facilitate planning and implementation of major projects and energy-efficient retrofits. The province could support this work through initiatives such as encouraging building condition assessments in purpose-built rental buildings, similar to what is currently required for strata, with the addition of energy assessments to promote energy efficient retrofits.
- **Recommendation 2: Consider opportunities to support landlords with the cost of major upgrades and energy efficiency improvements.** An additional finding from our work on rental housing renewal is that significant expenditures on major systems, such as building envelope upgrades, almost always require financing and may not be feasible for owners who are averse to taking on debt or adding to high existing financing costs. There may be opportunities for senior government to support landlords with the cost of major upgrades, such as financing, tax incentives, and/or grant assistance to support needed capital upgrades and energy-efficient retrofits, conditioned on maintaining affordability and/or minimizing renter displacement
- **Recommendation 3: Explore options for transitioning existing private rental into non-profit or co-op ownership.** We heard through consultation with renter advocates and the rental industry that securing the long-term affordability of existing rental may require transitioning this housing to non-market housing. There may be opportunities to transition rental buildings to non-profit or co-op ownership when the existing private owner chooses to sell, by reducing or waiving capital gains taxes upon sale of an existing rental property if it is transferred into ownership by a non-profit housing society.

Opportunity 4: Enhance Support for Renters in Low-Income Housing and Single-Room Occupancy Hotels

For Vancouver's poorest and most socially excluded renters, the housing affordability crisis weakens security of tenure, decreases rental housing options and increases their risk of homelessness. Single-room occupancy hotels (SROs) unfortunately continue to play a critical role in Vancouver's low-income rental housing stock as a last resort before homelessness. Over 7,000 renters are currently living in SROs, approximately 4,000 of which are still privately-owned. Longstanding Council policy is to replace all SROs with self-contained social housing designated for singles on a one-for-one basis in order to maintain housing availability for low-income residents. The While new replacement social and supportive housing is being created, the increasing demand from low-income renters for affordable housing mean that maintaining the existing SROs and improving living conditions for renters is a priority for the City.

As recently witnessed with the emergency closure of the Balmoral and Regent Hotels, due to decades of underinvestment and mismanagement by the building owners many SROs are rapidly nearing the end of their life cycles. The outdated housing form compromise renters' safety and dignity with small rooms and shared bathrooms and kitchens. However, upgrading ageing SROs while keeping rents affordable remains an impossible challenge without additional investment and subsidies, and private SROs are increasingly at risk of closure, sale or disinvestment, on the one hand, and loss of affordability and renter displacement on the other. The situation is further compounded by the high number of renters in SROs who need more adequate supports to address mental health and substance use challenges. Where disinvestment and a lack of supports is coupled with poor management practices, criminal activity, and a lack of owner responsiveness, the health and safety of renters, particularly women, is compromised.

Recommendations

The City's ten year housing strategy includes actions over the next ten years to meet the most urgent need, particularly for poor renters in the worst SRO buildings. These include support for provincial action on a poverty reduction plan and expansion of health and social supports in private SRO buildings, as well as enhanced RTA protections for residents of private SROs.

- **Recommendation 1: Work with partners on policy innovation and reform in areas of supported employment, income supports and connections to meaningful activity**, including advocacy for an increase in the income assistance rate, tying income assistance to cost of living indexes, and increasing the cut-off before benefits are affected by income; innovative use of income support programs; an expanded rent supplement program; affordability and accessibility of services; and targeted actions to promote equity for all residents.
- **Recommendation 2: Enhance RTA protections for residents of single-room accommodation properties including private SROs**, including rent increases tied to the room instead of to the tenant in order to prevent loss of housing affordable to low-income renters; and strengthening enforcement of rent control requirements.
- **Recommendation 3: Work with municipalities to coordinate municipal and community supports for low-income and vulnerable renters.** Municipalities and community-based

low-income organizations, including low-income housing advocates, can play a crucial role in supporting the most marginalized renters with understanding their rights when they are facing eviction. The City of Vancouver's, new Renter Advocacy and Services officer will focus on coordinating partners to meet the needs of low-income and marginalized renters. There should be a corresponding resource on the Provincial side focussed on the needs of this group of renters.

Conclusion

For our landlord-renter legal framework to succeed over time, it must be amenable to change to reflect the changing needs of renters, rental owners, and the rental stock over time. Our recommendations are designed to position the City of Vancouver and all of BC's cities in building an equitable housing system to address the current housing crisis for current and future renters.

Yours truly,



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