



HOLLYBURN
PROPERTIES LIMITED



July 6, 2018

Mr. Spencer Chandra Herbert
Chair, Rental Housing Task Force
Government of British Columbia
Legislative Building
Victoria BC V8V 1X4

BY EMAIL

Dear Mr. Chandra Herbert,

RE: Rental Housing Task Force Review of the Residential Tenancy Act

Hollyburn

Hollyburn Properties Ltd. is a national manager, owner, and developer of multi-family apartment buildings based in Vancouver. Today, we are one of the largest apartment operators in the Province of British Columbia, although it is an industry largely comprised of smaller scale actors with fewer resources available to them. Hollyburn invests heavily back into our aging rental housing buildings to extend their life and to ensure all our residents live in a well-cared-for building. Through environmental stewardship, employee training and support, and community partnerships, it is Hollyburn's mission to raise the standard of our property management practices to the benefit of our residents, our employees, and the apartment industry in Canada.

Today's Housing Crisis

British Columbia, and particularly Vancouver and Victoria, are in the midst of a housing crisis. Single-family homes have long been unattainable for the majority of our Cities' residents, and vacancy rates have been hovering around 1% for over a decade in Vancouver. Even still, housing in South West British Columbia has never been as unattainable as it is today. Hollyburn recognizes that this is not a healthy housing market, and that there are far-reaching implications for our society. Change is needed. In this regard, British Columbia's new coalition government deserves recognition for the work it has already done. Specifically, Hollyburn views the implication of rental-only zones, the additional resources given to the RTB, and work undertaken to end fixed term tenancies as largely positive.

To understand the nature of Vancouver's rental housing crisis it is important to first understand the nature of our region's rental housing stock. Briefly, two thirds of Metro Vancouver's rental housing is located in wood frame buildings of four storeys or less, with an average building size of only 13.17 apartments¹. 52.9% of our rental housing was built between 1961 and 1970, with a further 27.3% built pre-1961¹. There has been very little rental housing built since the 70's (although we are starting to see some being built now), and there are relatively few large apartment buildings.

Together these factors demonstrate that the rental housing crisis has been moving towards us in slow motion for decades, and that because the housing stock is dominated by small buildings it has been hard for landlords to grow their business. As a result there are very few large landlords with the resources required to properly manage the increasing costs of maintaining their buildings. To make matters worse, the City of Vancouver first introduced seismic

¹ Metro Vancouver Purpose-Built Rental Housing: Inventory and Risk Analysis – Coriolis Consulting Corp. May 8, 2012

» **HOLLYBURN.COM**

VANCOUVER

1650 Alberni St, Vancouver, BC
T: 604.662.7345 | F: 604.662.7355

CALGARY

815 4th Ave SW, Calgary, AB
T: 403.265.0100 | F: 403.234.7281

TORONTO

20 Prince Arthur Ave, Toronto, ON
T: 416.923.5945 | F: 647.346.2754

OTTAWA

235 Bay St, Ottawa, ON
T: 613.235.0342 | F: 613.235.0345



provisions into the building code in 1967², and so the vast majority of our rental stock is built without any seismic considerations.

In sum, we are in this mess because we haven't built enough rental housing in recent decades; the cost of maintaining the rental we have is increasing exponentially given the age of the stock; and the average rental building is too small, seismically unsound, and without adequate fire prevention systems.

Alleviating the Housing Crisis and the Residential Tenancy Act

It is clear to us that our Province needs to renew and increase its stock of rental housing. These are extremely costly endeavors for private organizations. However, organizations such as ours are excited to play a role in this process. Today we are working on numerous rental housing projects in Metro Vancouver as well as investing back into the infrastructure of our existing rental housing stock to the tune of \$20 million dollars annually. We are concerned that if the rules of the Residential Tenancy Act (RTA) change to restrict the annual allowable rent increase, or tie rent controls to the unit rather than the tenant, our ability to maintain our rental portfolio will decrease at precisely the same time as the cost to maintain it is increasing.

Moreover, should your task force be considering these tighter rent control options we would remind you that they will not add supply to the market, nor will they bring rents down, nor will they increase the vacancy rate. These proposals will in fact prevent new rental from being developed; they will prevent landlords from maintaining their buildings; and they will prevent potential landlords from buying a condo to rent out, or deciding to rent out their basement suite. These rent controls being advocated for may benefit the people already renting in the short-run; but they will hurt landlords, the rental housing stock, future renters, the mobility of our work force and therefore our economy, and ultimately the renters living in these housing units as the condition of their units will deteriorate.

In fact, together with the ability of municipalities to zone for rental-only, further controls on rent will prevent landlords from doing anything at all with their properties. Rental development and redevelopment will not occur under tighter rent control. Reinvestment in rental buildings will reduce or perhaps even stop because landlords will not be able to recoup costs. Without development, re-development, and reinvestment in building infrastructure these buildings will fall into disrepair much in the same way Vancouver's SRO's have descended into deplorable conditions under comparable regulation.

In a similar vein, it has been suggested that BC adopt Ontario's rent control model of allowing rent increases equal only to inflation as measured by the provincial consumer price index (CPI) plus an allowance for above guideline rent increases after building improvements have taken place. Hollyburn owns and operates 25 apartment buildings in Toronto, we can tell you that Ontario's model is not an improvement on BC's from anyone's perspective.

First, CPI is a poor measure of building maintenance cost inflation, particularly given the age and condition of our rental housing stock. Second, the Ontario model would place a much higher administrative burden on both the landlord as well as the RTB. With a larger average building size, and many more large and sophisticated landlords in Ontario than BC, their industry is better equipped to handle this increased administration. Small landlords will struggle with the administration and legal costs of the above guideline approach, which is an unnecessary disincentive to building maintenance. In Ontario above-guideline rent increases often takes over a year to be approved. Third, BC landlords already have the ability to request an above-guideline rent increase; however, it is not commonly used because of the administrative challenges and low likelihood of success. Fourth, Ontario tenants do not like the above-guideline rent increases as they are not able to budget for them in advance. Finally, above-guideline rent increases can result in a larger rent increase for tenants than BC's current system of CPI + 2%. The above factors often result in a contested rent

² The Delcan Study – Phase 1: Seismic Risk/Benefit Analysis of Privately Owned At-risk Buildings in COV, 1995



increase which becomes an adversarial, administratively challenging process that is not good for landlords, residents, or the administrative body.

This is not to say that the security of tenure, the ability to resolve tenant and landlord disputes, and the provision of affordable rental accommodation cannot be improved upon. It can. While the scope of your task force is to look specifically at the RTA the answers to our Province's rental housing crisis are not as narrow. We feel the most obvious solution is to remove as many barriers to the construction of new rental housing as possible. Two significant barriers include the new school tax, which adds significant cost to the delivery of rental housing, and GST, which is a federal tax but very punitive.

Your task force could also work with municipal governments which often reject or delay rental housing projects in order to extract large and arbitrary Community Amenity Contributions from developers. Additionally, we encourage our provincial government to explore ways in which more construction workers might be able to work in the Province, as there is a severe shortage of all trades which continues to cause dramatic cost increases to both building and maintaining rental housing.

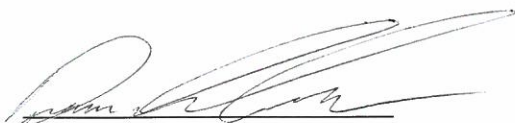
As it relates to improving the RTA we would like to see the Residential Tenancy Board (RTB) be given powers of enforcement such that we don't have to go to court for a judge to enforce a RTB decision. The rules around communication between tenants and Landlords need to evolve such that email is an allowed form of communication. And finally, perhaps most significantly, we would support changes to the RTA as it relates to limiting the grounds for eviction in order to carry out a renovation. This is a clause that has been overused in a housing market where individuals have limited options for relocation, and not all renovations require vacant possession of the suite (although some do).

Conclusion

Nearly everyone has lived in rental housing at some point in their lives, and today we are in the midst of a rental housing crisis that has been moving towards us in slow motion for decades. If we are ever to return to a healthy rental housing market that serves the needs of British Columbians **the margin for error from our policy makers and your Rental Housing Task Force is razor thin.** We therefore advise you to tread lightly with the RTA, which is largely not the cause of today's housing crisis, although there is room for improvement.

Individual investors and businesses make significant long term decisions based upon the set of rules that govern the day. If you change these rules too drastically it will create uncertainty, and housing providers will pull back from making commitments and investing in much needed rental housing. We cannot afford this. If we are to return to a healthy rental housing market, the only way to do it is to implement macro-strategies that fix the problems of the RTA in the short-term, leaves rent control as it is, and stimulates the development, redevelopment, and reinvestment in rental housing which, in the long run, will result in the return to a healthy rental market.

Respectfully,



David Sander
Director

