



REPORT TO COUNCIL

To: **Mayor and Councillors**

Subject: Proposed Updated Tenant Relocation Plans Policy

File #: [Required]

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From: Carl Johannsen, RPP, MCIP
Director of Development Services

Date: July 18, 2024

RECOMMENDATION:

THAT Council approve the updated Tenant Relocation Plans Policy CO-84.

PURPOSE:

This report presents the proposed Updated Tenant Relocation Policy, named Council Policy CO-84 (Attachment 1), for Council's consideration of approval. Updating the current Tenant Relocation Policy CO-81 is a Council priority, and the new Policy CO-84 includes updated tenant compensation and relocation requirements that better align it with current rental market conditions and local development economics.

Policy CO-84 is also based on feedback received from tenants, developers and Tenant Relocation Coordinators (TRCs) during the application of Policy CO-81 to rezoning and Development Permit applications involving the redevelopment of purpose-built rental buildings. Once approved by Council, CO-84 will apply to new applications, and the current Council Policy CO-81 will apply to already in-stream applications. The March 1, 2022 explanatory report for Policy CO-81 is also attached to provide context, background on Policy formation.

POLICY:

The current Council Policy CO-81 (attached), approved in March 2022, was informed by tenant relocation policies in surrounding municipalities, and is based on principles that aim to balance the City's development context with tenants needs, including:

1. Providing transparent notice, compensation and relocation assistance for tenants;
2. Prioritizing the rehousing of tenants into suitable accommodations;
3. Creating a policy that uses Provincial RTA requirements as a baseline;

4. Supporting redevelopment as per the new OCP, including rental housing renewal;
5. Using requirements that reflect policies in surrounding and similar municipalities;
6. Including relocation requirements that balance economic viability with the significantly higher redevelopment densities on existing rental properties; and
7. Recognizing the need to have Policy requirements that reflect the current market context of tight rental unit supply and eroding affordability.

Changing Economic, Housing Market Conditions and Application of the Policy

Since the approval of Policy CO-81 in March 2022, rapid inflation, cost escalation and tightening housing supply coming out of the pandemic have significantly impacted the affordability and availability of rental housing in Langley City. More specifically, market rent has increased rapidly in the last 5 years (average rent is now 40 percent higher than 5 years ago, and 91 percent higher than 10 years ago), and rental vacancy rates have been very low (1 percent in 2022 and 1.5 percent in 2023).

Along with these trends, the application of Policy CO-81 to rental redevelopment applications has highlighted the need to update key Policy sections, including increased tenant compensation, updating and clarifying process requirements and definitions, and improving communications and information sharing.

Based on this context, an updated Policy CO-84 has been developed to respond to eroding affordability and tightening rental supply, while also following the principles above that guided the development of the original Policy CO-81 and seeking to improve the clarity and user-friendliness of the document. The following section provides an overview of updates in Policy CO-84 and the rationale for these updates.

COMMENTS/ANALYSIS:

Update Assumptions and Analysis, Local Market and Redevelopment Considerations

The update process was framed by these key assumptions:

- a. The redevelopment of purpose-built rental buildings is still being considered;
- b. The Policy needs to be updated to reflect a higher cost, tighter rental market; and
- c. Most, if not all, rental redevelopments will involve vulnerable tenants (long-term tenants who have rented the same unit for over 10 years, and are often seniors and others on fixed income and paying rents well below current market rates).

Staff undertook a 2-phase analysis to determine how much the compensation in the Policy (months of rent payouts, moving expenses) should be increased, for both short-term and long-term (and vulnerable) tenants, on the basis that compensation should be higher to better help tenants to afford moving and being re-housed in suitable accommodations within a context of increased rents and tight supply.

The first phase involved getting a better understanding of rent escalation trends in the City, and the characteristics of tenants that have been relocated through recent rental redevelopment applications. Key findings from this phase of the analysis included:

1. Recent rental redevelopment applications in the City had an average of 21 tenants that required relocation, and over half of these tenants paid between \$700 and \$1,000 a month rent and many resided in the subject building for more than 5 to 10 years. These rents are equivalent to what non-market or Rent-Geared to Income (RGI) rents are in the City, which in turn is used to define vulnerable tenants in the current Policy. Based on this, it is assumed that the majority of tenants in future rental redevelopment applications will be vulnerable;
2. Average market rent across all bedroom types has increased rapidly, involving a 19 percent increase from 2022 to 2023 alone, a 40 percent increase between 2018 and 2023, and a 36 percent increase from 2013 to 2018 (total increase 91 percent between 2013 and 2023). In comparison, rent escalation between 2008-2013 and 2003-2008 was only 10 percent. Also, as of October 2023 average monthly rent across all bedroom types was \$1,705 whereas in 2013 it was \$893; and
3. Based on findings 1. and 2., while rent has increased rapidly, short term tenants are paying closer to current market rents. In comparison, longer term tenants (5 to 10 years in same unit) are paying proportionately much less rent than shorter term tenants. Furthermore, while this means that longer term tenants require more compensation than shorter term tenants, the fact that the majority of tenants in anticipated future rental building are likely to be vulnerable means that overall tenant compensation levels will need to be increased and deliberately weighted more towards vulnerable tenants. This will provide vulnerable tenants with more compensation to make up for the disproportionate rent level difference between shorter and longer term tenants, and better assist longer term, vulnerable tenants in finding suitable relocation accommodations.

Proforma Analyses and Increased Tenant Compensation (#4, #7 in Policy CO-84)

Using the first phase findings described above, a land economist was engaged in phase 2 to undertake proformas to determine if tenant compensation could be increased, while ensuring development remains economically viable (this analysis was also used to determine updated amenity contribution rates). It is also important to note that these proformas were based on the economics of low-rise wood-frame apartment buildings, and the proformas and compensation levels will need to be updated when high-rise concrete construction becomes common in the City.

A key principle guiding proformas was that the City should obtain a reasonable share of the land lift ('lift') that a developer receives from increased density. Given that most new residential buildings in the City will be low-rise wood-frame over the next 5 years, with densities or Floor Area Ratios (FAR) of 2.5 to 3.0, the proformas focused on determining amenity contribution rates based on ideal lift shares between 50% and 60%. When tenant compensation was considered, including Phase 1 analysis

findings, the lift share was elevated to 75% to provide enough revenue for both increased amenity contributions and increased tenant compensation. Noting that a minimum lift share of 75% is typically used in municipalities that have concrete high rise construction (which generates more lift than low rise wood-frame buildings), applicants that are redeveloping rental buildings and relocating tenants should be expected 'to do more', by using more of their land lift to compensate tenants.

Based on analysis and proforma findings, tenant compensation can be increased while also maintaining development viability. The updated compensation levels, for non-vulnerable tenants, included in Policy CO-84, are as follows:

Length of Tenancy	Proposed Compensation	Current Min. Compensation
Up to 5 years tenancy:	4 months rent	2 months rent
6 to 10 years tenancy:	8 months rent	3 months rent
11 to 15 years tenancy:	12 months rent	4 months rent
16-20 years tenancy:	14 months rent	5 months rent
Over 20 years tenancy	16 months rent	6 months rent

CO-84 also includes increased compensation for vulnerable tenants, by weighting compensation towards longer term tenants (A below). Compensation for vulnerable tenants that may need to relocate to market housing has also been increased (B):

A. Vulnerable tenants relocating to non-market housing

Length of Tenancy	Proposed Compensation	Current Min. Compensation
Up to 5 years tenancy:	12 months rent	4 months rent
6 to 10 years tenancy:	12 months rent	4 months rent
11 to 15 years tenancy:	14 months rent	4 months rent
16-20 years tenancy:	15 months rent	5 months rent
Over 20 years tenancy	16 months rent	6 months rent

B. Vulnerable tenants relocating to market housing

Length of Tenancy	Proposed Compensation	Current Min. Compensation
All tenancy lengths:	16 months rent	6 months rent

The increased compensation also includes higher moving expenses:

- \$900 for 1 bedroom units (current \$750);
- \$1,200 for 2 bedroom units (current \$1,000);
- \$1,400 for 3 or more bedroom units (current \$1,250); and
- \$1,500 for vulnerable tenants regardless of unit type.

Based on these proposed updates, the typical compensation amount (months of rent + moving expenses) for a vulnerable tenant moving to a market rental unit will increase by over two and half times. For example, a vulnerable tenant paying \$900 a month and receiving about \$6,000 compensation (6 months rent + moving expenses) under Policy CO-81 will now receive close to \$16,000 under updated Policy CO-84.

Updated First Right of Refusal Requirements (#7 in Policy CO-84)

Following municipal review, the First Right of Refusal ('FRoR') section of the current Policy was updated to clarify that FRoR units offered to tenants shall have the same number of bedrooms as their current unit, unless otherwise requested by tenant.

It is also recommended to increase the FRoR below market unit rent and purchase price levels in CO-84 to 20% below market rent and a 15% price discount, from 10% below market and 5% discount in Policy CO-81. This is based on proforma results that indicate a private developer could potentially include a small amount of 20% below market rent units (up to 5% of total FAR in a 2.5 FAR building) in a market building and still have a viable project.

This will provide an increased level of affordability, and aligns with other municipal policies, a recent 20% below market rent FRoR offer by a developer proposing to redevelop a rental building in the City, and new senior government programs (ie. BC Builds) offering 'workforce housing' renting at 20% below market rates.

It is also important to note that no FRoR opportunities have been taken by relocating tenants to date, likely due to the 30 to 36 month timespan between tenants' notice to vacate and the completion of new buildings. Staff anticipate that the uptake of FRoR opportunities by displaced tenants will be very low (ie. less than 5% of total units in the new building). Other FRoR programs, such as the City of Burnaby's, are used by more tenants given that the developer tops up their rent while they are living in other accommodations prior to moving into the new building. Tenant compensation amounts in Burnaby can be up to \$40,000 to \$45,000 per tenant, which is only possible due to the very large land lifts generated by high-rise concrete buildings in that development context. This compensation level is not possible in the City of Langley, given that most new buildings are low rise wood-frame with a density or FAR that is typically one-third or less of new buildings in Burnaby (3 FAR vs. 9 FAR).

Updated Relocation Assistance Requirements (#3 in Policy CO-84)

Noting that FRoR is very limited in the City, staff are proposing to include updated relocation option requirements in Policy CO-84, to require all options to be renting at or less than CMHC average rent in the City, be suitable for tenant's needs, and have the same number of bedrooms as the tenant's current unit or per tenant request.

While this may increase the time and effort that a developer will need to put into finding suitable accommodations for their tenants, it supports the re-housing of tenants into new units that are likely closer to the rent they were paying before they moved, and responds better to the accessibility, family-size and pet needs of tenants.

General Clarity, Definitions and Process Updates (#1, #6, #7 in Policy CO-84)

A number of other updates are included in Policy CO-84, based on feedback from tenants, developers and TRCs during the application of Policy CO-81 to rental redevelopment applications and further staff review, and include:

- Rewording and reformatting overall Policy text for clarity;
- Updating the Vulnerable Tenants definition to clarify that this category can include both seniors (over age 55) and non-seniors (#7 in Policy);
- Updating tenant meeting, tenant update requirements (#1 in Policy);
- Clarifying timing of compensation (Scope section, #4 in Policy);
- Adding language regarding 'for-cause' evictions (Scope section in Policy);
- Clarifying that tenant relocation assistance is to be provided to all tenants in a unit (including sublet) and compensation is paid out per unit (Scope section, #3, #4 in the Policy); and
- Identifying that Policy CO-84 will be reviewed annually and compensation amounts updated bi-annually, based on the state of the local rental market and development economics. Compensation amounts and other Policy sections will also be updated when non-combustible, concrete construction becomes common in the City (Policy Statement section in Policy CO-84).

BUDGET IMPLICATIONS:

There are no budget implications associated with the proposed Council Policy CO-84. Financial requirements related to tenant relocation and compensation are the responsibility of the developer.

ALTERNATIVES:

1. Change the proposed Council Policy CO-84 notice, compensation and/or relocation requirements prior to consideration of approval of CO-84.
2. Refer the proposed Council Policy CO-84 back to staff with Council direction regarding specific changes to the Policy.

Respectfully Submitted,



Carl Johannsen, RPP, MCIP
Director of Development Services

Attachments:

1. Draft Updated Tenant Relocation Plans Policy CO-84
2. Current Tenant Relocation Plans Policy CO-81
3. Report dated March 1, 2022 "Proposed Updated Tenant Relocation Plans Policy"

CHIEF ADMINISTRATIVE OFFICER'S COMMENTS:

I support the recommendation.



Francis Cheung, P. Eng.
Chief Administrative Officer