



Committee of the Whole Report

For the Meeting of May 10, 2018

To: Committee of the Whole **Date:** April 20, 2017
From: Jonathan Tinney, Director, Sustainable Planning and Community Development
Subject: **Market Rental Revitalization Study**

RECOMMENDATION

That Council:

1. Accept the Market Rental Building Inventory for information, and direct staff to:
 - a. incorporate the market rental building inventory into City systems such as VicMap for public access
 - b. continue the Development Monitoring project to provide better tracking and upkeep of the rental building inventory.
2. Instruct the City Solicitor to bring forward a bylaw to implement the Rental Property Standards of Maintenance elements described in Attachment G.
3. Direct Staff to report back to Council with a Rental Property Standards of Maintenance Bylaw resourcing and implementation plan for budgetary approval.
4. Adopt the Tenant Assistance Policy attached to this report (Attachment H) effective September 1, 2018, and direct staff to:
 - a. report back to Council following conclusion of the Provincial Renters Task Force and any proposed changes to the Residential Tenancy Act that may impact provisions outlined in the Tenant Assistance Policy.
5. Refer consideration of a grant program to provide support to organisations that provide information, education and support to tenants on residential tenancy matters to the 2019 financial planning process.
6. Adopt the Market Rental Energy and Seismic Upgrade incentive program described in this report, and direct staff to:
 - a. identify pilot projects for testing and further development of the incentive program.

EXECUTIVE SUMMARY

The Market Rental Revitalization Study (MaRRS) was designed to achieve four supporting actions outlined in the Victoria Housing Strategy 2016-2025 under the overarching action of "Protect existing rental stock." The study's role was to look at policies, regulations, and incentives to preserve Victoria's large stock of pre-2000 market rental housing that typically provides lower rental rates than newer, purpose-built rentals, but may also require significant upgrades for safety,

liveability, energy performance, and seismic resilience.

At the November 23, 2017 Committee of the Whole meeting, Council directed staff to prepare a Standard of Maintenance Bylaw (renamed Rental Property Standards of Maintenance Bylaw) and Tenant Relocation Policy (renamed Tenant Assistance Policy) and seek feedback on these drafts in focus group sessions. Staff also incorporated elements of energy and seismic considerations based on previous Council direction and associated City goals related to climate action.

As per Council direction, staff undertook targeted engagement using focus group sessions, surveys and one-on-one meetings between January and April 2018. The key deliverables resulting from this project are:

1. a Market Rental Building inventory for the City of Victoria;
2. a recommended Rental Property Standards of Maintenance Bylaw;
3. a recommended Tenant Assistance Policy; and
4. a recommended Market Rental Energy and Seismic Upgrade incentive program.

PURPOSE

The purpose of this report is to report back on the results of the Market Rental Revitalization Study, including:

1. to provide an overview of the Market Rental Building inventory for the City of Victoria;
2. to seek direction from Council regarding recommended elements of a Rental Property Standards of Maintenance Bylaw, as modified following consultation with tenants and landlords;
3. to provide Council with a recommended Tenant Assistance Policy as per previous direction; and
4. to provide recommendations regarding a Market Rental Energy and Seismic Upgrade incentive program, for achieving energy efficiency and seismic upgrades in existing aging rental building stock.

BACKGROUND

Project Overview

The Market Rental Revitalization Study (MaRRS) was designed to achieve four supporting actions outlined in the Victoria Housing Strategy 2016-2025 under the overarching action of “Protect existing rental stock.” The study’s role was to look at policies, regulations, and incentives to preserve Victoria’s stock of pre-2000 market rental housing that typically provides lower rental rates than newer purpose-built rentals, but that may also require significant upgrades for safety, liveability, energy performance, and seismic resilience.

MaRRS is comprised of four distinct yet complementary deliverables:

- A Market Rental Building inventory, to provide staff, Council, and the public with data regarding the City’s rental building stock

Prior to the MaRRS project, the City did not have an up-to-date and complete inventory of its market rental buildings. An inventory has now been created based on BC Assessment data and cross-referenced with the City’s business license list, in order to obtain a more fulsome picture of the current multi-unit rental stock. The inventory is intended to be integrated with City systems and made publicly available.

- A Tenant Assistance Policy (TAP), to provide guidance regarding Council's expectations on specific measures to minimize the impact on tenants due to redevelopment, and a Rental Property Standards of Maintenance Bylaw, to provide minimum maintenance standards for rental accommodation

At the November 23, 2017 Committee of the Whole meeting, Council received a report recommending the content of a Rental Property Standards of Maintenance Bylaw (RPSOM) and Tenant Assistance Policy (TAP), and as a result directed staff to engage with stakeholders using focus group sessions and return with final versions of these documents. Both the RPSOM and the TAP are intended to provide provisions that are supplemental to Provincial Legislation. With the recent striking of a Provincial Rental Housing Taskforce tasked with modernizing the Residential Tenancy Act and changes announced to that legislation announced on April 12, 2018, staff have been developing the RPSOM and TAP in a dynamic context and amendments will likely be necessary on an ongoing basis.

- An incentive program to promote energy efficiency and seismic upgrades in Victoria's aging apartment market rental stock

Staff secured funding from BC Hydro's Sustainable Communities program to explore opportunities for energy efficiency upgrades in this aging market rental building stock and to share the results of the study to help inform the development of a future retrofit energy code. This work aligns with goals and targets outlined in the City's Draft Climate Leadership Plan, particularly the target that states that "*Before 2050, all existing buildings are retrofitted to high efficiency standards.*"

As a motion resulting from the November 2016 Seismic Vulnerability Study, Council directed staff to "examine the City's authority to expand incentives beyond heritage buildings and assess opportunities to include seismic considerations as part of the rental retention and revitalization study." The MaRRS project undertook this examination and explored ways of incentivizing seismic upgrades in aging rental buildings in Victoria.

MaRRS Relationship to Housing Strategy

The four deliverables of the Market Rental Revitalization Study (MaRRS) aim to achieve the overarching objective of protecting existing rental stock as outlined in the *Victoria Housing Strategy 2016-2025*. On their own, these actions will not fully address Victoria's housing crisis nor prove to be a complete solution to the significant challenges faced by renters in this City; however, they are vital steps and part of a suite of other actions outlined in the strategy that include the development of an Inclusive Housing and Density Bonus policy.

Stakeholder Engagement

On November 23, 2018, Council directed staff to prepare a Rental Property Standard of Maintenance Bylaw and Tenant Assistance Policy and to seek feedback on these drafts in focus group sessions. Staff also incorporated elements of energy and seismic considerations based on previous Council direction and associated City goals related to climate action. Below is a summary of the targeted engagement undertaken in support of the project goals:

Session Details	Intent of Session	Participation
Online Landlord/Property Manager survey (January 23-February 18, 2018)	To establish an understanding of current maintenance and upgrade practices	43 landlords and property owners/managers participated in the survey
Landlord/Property Manager Focus Group (January 24, 2018)	To provide feedback regarding the development of the Rental Property Standards of Maintenance Bylaw, Tenant Assistance Policy, and to identify barriers and opportunities to energy and seismic upgrades in rental apartment buildings	A call was put out through UDI and Landlord BC requesting voluntary participation from landlords and property owners/managers that operate in the City of Victoria. 13 landlords, property owners/managers, and developers participated in the Focus Group.
Tenant Focus Group 1 and follow up feedback form (February 7, 2018) 11 participants Tenant Focus Group 2 (March 28, 2018) 8 participants	To provide feedback regarding the development of the Rental Property Standards of Maintenance Bylaw (Focus Group 1) and Tenant Assistance Policy (Focus Group 2)	Staff made a targeted outreach effort to reach tenants and representatives of tenant advocacy groups to generate interest in applying to be members of the tenant focus group. All applications for membership were accepted. An effort was made to identify and represent particular demographics at this session, with attention to the following: <ul style="list-style-type: none"> • Persons living in different COV neighborhoods • Youth • Seniors • Visible minorities • First Nations • Persons with Disabilities • Persons with young children • Representatives of an organization focused on issues important to City of Victoria renters.
One-on-one meetings with Landlord BC, BC Housing, and individual landlords and property-managers (February – March, 2018)	To receive more detailed feedback regarding the elements of the MaRRS program, discuss best practices and lessons learned in other jurisdictions, test out incentive elements, and ensure policies are justifiable and enforceable	Meetings were held via teleconference and in person at City Hall.

Session Details	Intent of Session	Participation
Emerging Directions Online Survey (April 5-17, 2018)	To receive feedback from project stakeholders regarding proposed Rental Property Standards of Maintenance Bylaw, Tenant Assistance Policy, and proposed energy and seismic upgrade incentive program	All stakeholders were sent a copy of the Emerging Directions report and directed to an online survey to provide feedback related to the strengths and weaknesses of the emerging directions. 10 individuals provided feedback.

ISSUES & ANALYSIS

This issues and analysis section provides an overview of the intent and goal of each project deliverable, as well as summary feedback received from project stakeholders.

Market Rental Building Inventory and Condition Evaluation

Prior to this project, the City did not have a detailed database of quantifiable information about its market rental housing stock. The purpose of establishing a complete inventory of older rental buildings in the City is three-fold:

1. To provide staff, Council and members of the public with more information regarding the City's rental building stock
2. To characterize the older existing rental building stock and identify the best opportunities for a City-led revitalization program
3. To create a current and updatable database to integrate into the City's GIS-based data system for future reference and analysis. Such a database will be a vital resource for the development of targeted regulations, policies, and incentives, as well as to help inform other ongoing work such as neighbourhood planning and housing planning efforts.

The inventory shows 679 market rental buildings within the City of Victoria, with 16,733 total units of various types including:

- Townhouses and row houses
- Apartments over commercial buildings
- Residential conversions (e.g., multi-plex houses)
- Hi-rise concrete apartments
- Low-rise wood-frame apartments with elevator
- Low-rise wood-frame walk-up apartments.¹

Further information regarding the market rental building inventory, including the methodology undertaken, can be found in the Market Revitalization Study consultant report in Attachment A. Market rental building inventory maps can be found in Attachment B.

¹ The analysis excluded all buildings that had a 'blank' occupancy category in the BC Assessment data. Building decade is determined using the original year of construction, not the "effective year", where these differ.

Rental Property Standards of Maintenance Bylaw

Overview

Victoria's Housing Strategy 2016-2025 identifies the need to review and update the Property Maintenance Bylaw to improve tenant housing quality. The current Property Maintenance Bylaw contains provisions largely concerned with the exterior of the building and cosmetic aspects of property maintenance directed at minimum maintenance of private properties. Rather than amending the current Property Maintenance Bylaw, Council directed staff to develop a stand-alone Standards of Maintenance (SOM) Bylaw.

Once enacted, the Rental Property Standards of Maintenance (RPSOM) Bylaw will establish a basic standard of repair for residential rental properties which can ensure the health and safety of occupants as well as neighbours. Enforcement of minimal maintenance standards may also contribute to preservation of affordable rental housing stock by ensuring basic level of upkeep and minimizing "demolition through neglect."

Provincial Regulations

The Residential Tenancy Act (RTA) is provincial legislation that regulates residential tenancies in British Columbia. Under the RTA, landlords are responsible for maintaining their rental units in a good state of repair. However, the RTA regulates the relationship between landlords and tenants and its enforcement is, necessarily, essentially a matter between landlords and tenants. A RPSOM Bylaw can serve as a locally enforceable regulation, which establishes minimum standards for housing quality in rental housing. It is a form of business regulation that, rather than regulating the relationship between the landlords and tenants, regulates the operation of residential rental businesses.

Feedback from Focus Groups

Council directed staff to seek feedback from focus groups on the draft provisions of the SOM Bylaw presented at the November 23, 2018 Committee of the Whole meeting. Through two tenant focus group sessions and one landlord focus group session, the project team gathered significant input that has informed and shaped the development of the proposed regulations to be included in the Rental Property Standards of Maintenance (RPSOM) Bylaw. Feedback can be categorized as follows:

Content of the Bylaw

The tenant focus group members have indicated that the regulations as proposed do not go far enough in protecting tenants and the landlord focus group indicated that the regulations as proposed were unnecessary and were made redundant by the Residential Tenancy Act.

While there was an expressed desire by some Tenant Focus group participants that RPSOM regulations be highly detailed and specific there was also a recognition that straightforward and simplified regulations could be more effectively enforced.

Health-related issues

Focus group participants emphasized the importance of including health-related minimum standards in the Bylaw with an emphasis on mould and pests. For reasons explained in the *Options & Impacts* section of this report, it is not recommended that mould be included in the

Bylaw; however, pest control has been included at this time. Landlord stakeholders also noted that it is important to outline the role that the tenant should play in addressing cleanliness and health-related issues in rental accommodation.

Displacement concerns

Focus group participants were concerned that enforcement of RPSOM regulations could trigger “renovictions” by providing justification for landlords to undertake renovation work and that enforcement of the Bylaw in unregulated secondary suites could lead to additional displacement. Concerns of potential displacement triggered by the enforcement of the proposed Bylaw figured prominently in focus group discussion and the issue is discussed in further detail in the *Options & Impacts* section of this report.

Complaint intake process

Following receipt of the emerging directions report for this project, tenant focus group participants indicated that the proposed process for intake of RPSOM complaints (described in the *Options & Impacts* section of this report) was insufficient. Staff received feedback that requiring a tenant to go through the Rental Tenancy Branch (RTB) dispute resolution process prior filing a complaint with bylaw officials would be contrary to the established provincial regulations.

Tenant Assistance Policy

Overview

In Victoria’s housing market, characterized by rising rents and extremely low vacancy rates, tenants are especially vulnerable to displacement through redevelopment and renovation. Tenants that have been renting the same accommodation for a long period of time are especially vulnerable as the rents they pay are typically much lower than the average. If these tenants are displaced, finding alternate accommodation in their neighbourhood, at similar levels of rent, is a significant challenge.

The Tenant Assistance Policy (TAP) is intended to help mitigate the impacts of displacement on tenants by providing guidelines for supports offered by developers and property owners in the event of redevelopment of rental property. The focus of the TAP is on protecting vulnerable tenants who will face additional challenges in identifying and securing alternative accommodation in cases of development. It is important to note that municipalities have limited authority to place requirements on development and building permits, so the TAP would primarily apply to rezoning scenarios involving tenant displacement, while serving as guideline for all other development and renovations resulting in displacement. Proposed TAP is attached to this report as Appendix H.

Provincial Regulations

The Residential Tenancy Act (RTA) sets out guidelines for the notice and compensation required for a landlord to give a tenant on termination of tenancy. The Province has brought forward amendments to the RTA that propose increasing the notice and compensation requirements specifically targeted at displacement due to renovation; but as it stands, a landlord is currently required to give two months’ notice to end a tenancy and provide the equivalent of one months’ rent as compensation. Given that the TAP has been developed in a particularly dynamic period of time of provincial policy making, it is likely that the policy will have to be revisited as the RTA is amended.

Feedback from Focus Groups

Concerns were expressed by tenant focus group participants that the working title of the policy, “Tenant Protection Policy” was not an accurate description as the focus is on tenant assistance in the case of relocation. In response to this feedback, the policy has been retitled as the Tenant Assistance Policy.

Application

The tenant focus group view the limited application of the TAP (i.e., primarily applying to re-zonings) as being its major drawback. A focus group participant described the policy as “toothless” and argued that the City should take more creative approach in applying the policy to renovation scenarios. Other comments received were related to the limitations to City of Victoria’s jurisdictional authority to place conditions on development and building permits, and the voluntary nature of the provisions in these scenarios is viewed as not protecting the tenants who are most at threat of displacement.

Education and information regarding tenant and landlord rights

It was noted that there is a potential role for the City to play in ensuring tenants have access to information on tenant rights and tenant advocacy groups.

Policy Elements

Tenant focus group participants noted that right of first refusal was one of the most important elements to include in the TAP. The provision of a tenant relocation coordinator was viewed as a benefit for vulnerable tenants but not necessary for all tenants.

Energy Performance and Seismic resilience

Overview

In addition to being an important component of the City’s housing stock, aging market rental apartment buildings also represent a large proportion of the City’s buildings-related GHG emissions and in some cases are seismically deficient. While energy performance upgrades require capital expenditures, there are also associated benefits, including lower operating expenses, improved tenant comfort and indoor environmental quality benefits. Considering this, staff engaged with landlords and property owners to explore ways of improving the energy performance and seismic resilience of these buildings. Due to the City’s lack of legal authority to add energy performance and seismic requirements to building permits, the focus of discussion was on incentives that would encourage these types of upgrades.

The intent of this program is to improve energy performance and seismic resilience of the City’s aging rental apartment buildings while retaining tenant stability. To capture “better” performance and seismic resilience aspects within planned capital improvements that align with City goals, the incentives will be targeted at the incremental costs of improvements better than basic asset replacement (see Figure 1).

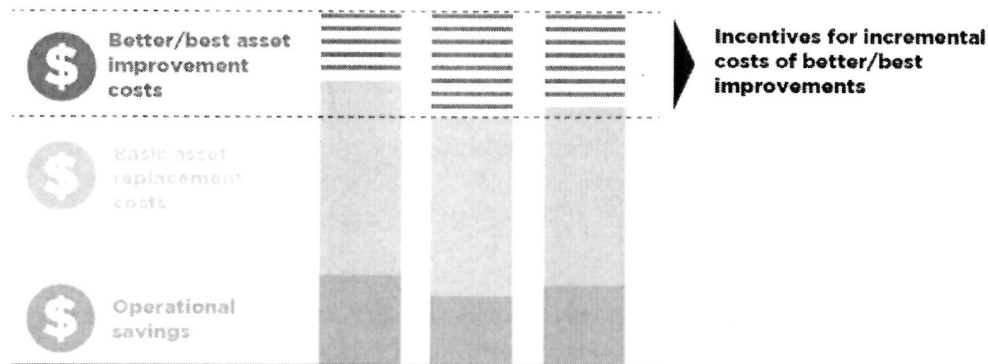


Figure 1 - Incentives are proposed to be targeted at the incremental costs of improvements better than basic asset replacement.

The majority of building upgrades that would be targeted for incentives can be conducted without displacing tenants. However, in the rare occasion when tenants must vacate in order to for upgrade work to be conducted, adherence to the Tenant Assistant Policy would be a prerequisite for accessing City incentives, and will provide for measures that can assist tenants in this transition. More information regarding this can be found in the *Options & Impacts* section of this report.

Target buildings for analysis

Low-rise walk-ups, low-rise apartments with elevators, and high-rise apartments represent approximately 400 buildings and nearly 13,900 units (for all years of construction). The building stock inventory identifies construction in the 1960s and 1970s as a major contributor to the current existing rental building stock. There were 311 rental apartment buildings constructed in Victoria from 1960 through 1979, accounting for 46% of the total current rental buildings and 78% of the current rental suites. Nearly all of these are low-rise walk-ups, low-rise apartments with elevators, or high-rise apartments.

For this reason, the project team have identified these three building types as the key archetypes for analysis in terms of potential energy and seismic retrofit strategies. These archetypes are summarized in Attachment C. High-rise buildings present significant challenges in terms of seismic upgrades, and require further exploration in terms of feasibility of incenting energy and seismic upgrades.

Energy and Carbon Reduction potential of upgrades

In the consultant's analysis, energy conservation measures were grouped into three bundles representing different upgrade scenarios. These are outlined below, with a summary of potential energy savings associated with each scenario:

- *Bundle 1 (Good)* – Reflects basic asset replacement with code-minimum equipment requirements and enclosure renewal. Some energy/GHG improvements result from these standard renewals (incidental airtightness improvements and windows to code minimum).
 - Potential energy savings: Moderate energy efficiency (5-22%) may be achieved through business-as-usual basic asset replacement/renewal

- *Bundle 2 (Better)* – Reflects moderate changes that improve energy/GHG performance of systems above the status quo at the time of regular renewals.
 - Potential energy savings: 22-37% over the baseline may be achieved by implementing a suite of “better” energy conservation measures at the time of asset renewal
- *Bundle 3 (Best)* – Reflects a change in the intent of the renewals to have a focus on energy improvements, choosing very high performance equipment and materials.
 - Potential energy savings: 36-50% may be achieved by implementing a suite of “best” energy conservation measures at time of asset renewal.

Feedback heard to date

Staff and the consultant team hosted a focus group with landlords and property owners/managers, with the purpose of identifying challenges and opportunities related to energy and seismic retrofits in aging rental buildings in Victoria. A summary of feedback is outlined below, and more detailed session notes can be found in Attachment D, E, and F.

Key challenges identified:

- limited access to capital to undertake major upgrades
- perceived prohibitive cost of seismic upgrade with no known return
- hazardous material concerns (e.g., asbestos)
- building permit/processing concerns.

Key opportunities identified:

- linking seismic to other upgrades (e.g., recladding a building presents an opportunity to add shear walls to improve seismic stability as well as exterior insulation for improved energy performance and durability)
- improved competitiveness with upgraded product entering market (typically larger/better suite layouts).

Other feedback received:

- stakeholders noted the impact that the low vacancy rate has on the market in terms of willingness, need and market advantage to upgrade buildings
- stakeholders noted that these buildings were not originally built to be affordable housing typologies, and that their affordability is more due to circumstance of age than of original intent
- stakeholders noted that increasing the supply of market rental stock in the City should be a central part of the strategy for alleviating some of the issues and goals the MaRRS project seeks to address.

OPTIONS & IMPACTS

This section provides an overview of the recommended elements of each of the deliverables, as well as implementation considerations.

Rental Property Standards of Maintenance Bylaw

Recommended Elements

In recognition of the limitations of the City’s authority and available resources, the recommended RPSOM Bylaw elements have been designed to be both straightforward and enforceable. Due to

the uncertainty regarding resource implications of the new regulations, Staff recommend that the application of the proposed new bylaw be initially limited to “commercial” residential premises only – starting with rental buildings with four or more residential units. While this would exclude a significant number of rental premises (such as secondary suites) it will provide the City an opportunity to gain experience with the bylaw. Based on that experience, Council could expand the scope of the bylaw to include all residential rental premises at a future date. It is recommended that the Rental Property Standards of Maintenance Bylaw basic minimum standards of maintenance include the following elements:

1. impacts of leaks from plumbing or water ingress
2. functioning heat and hot water
3. fire safety concerns such as alarm systems and means of egress
4. integrity/functionality of housing elements such as doors, windows, sanitation facilities, and electrical facilities
5. pest control
6. ventilation
7. other accessibility considerations including elevators.

While a number of focus group participants expressed a desire for health standards related to mould and mildew to be included in the Bylaw, the focus of the recommended Bylaw is on conditions in the building itself that may result in these issues (i.e. water ingress) rather than the issues themselves. The presence or removal of mould falls under provincial jurisdiction – and there have been a variety of rulings of the Residential Tenancy Branch with regard to mould removal responsibility. The Public Health Act (provincial legislation) provides regulation around public health issues, which sets out the municipal role in maintaining public health standards. Issues such as mould present difficulty in determining level of hazard (requires certified mould inspector), causation, and responsibility. Health issues of tenants that relate to aspects of the building are difficult to gather evidence of and prove responsibility and causation. For similar reasons, the inclusion of pest control in the Bylaw will be very challenging from an enforcement perspective. However, considering that pest control provisions are included in similar municipal Bylaws elsewhere in the province, and given the importance of the issue to renters and discussion with the City’s Bylaw and Licencing team, these provisions have been included at this time. The Rental Property Standards of Maintenance Bylaw will be a business regulation and as such, affected businesses will have the opportunity to make representations to Council prior to the adoption of the proposed bylaw.

A full list of the elements recommended to be included in the Rental Property Standards of Maintenance Bylaw can be found in Attachment G.

Complaints Process

In order to triage standards of maintenance complaints and make optimal use of limited City resources, the following process is recommended for receiving complaints:

1. tenant advises landlord of complaint in writing
2. if complaint is not resolved, the tenant contacts the Residential Tenancy Branch (RTB) and files a grievance
3. if the landlord has not taken action in the manner and time prescribed by the RTB, then the tenant may submit a complaint form to the City to investigate potential contravention of the Standards of Maintenance Bylaw.

Penalties and Enforcement

The Bylaw will not be proactively enforced, rather it will be pursued on a complaints-basis only. Modelled on the complaints process procedure of Maple Ridge, the intention is to triage complaints so that inspectors can make optimal use of their time and so that the focus of enforcement is on proven issues. Staff do not know the resource implications at this time and recommend reporting back to Council on those implications as part of an implementation plan.

Risks and Recommendations

Prior to enactment, it is challenging to quantify the potential impacts of the risks listed above. As part of the implementation plan, it is recommended that a tracking system is put in place to track the number of complaints made, in partnership with the Inspections and Licencing team. With ongoing tracking, resourcing and staffing requirements, related displacement and compliance levels will become apparent after 12-18 months.

Enacting and enforcing a RPSOM Bylaw may result in significant undesired consequences, including the following.

1. Displacement of Renters

While the intent of the Bylaw is to ensure some minimal standards for existing rental housing stock and protect tenants from substandard rental accommodations, its enforcement may lead to some loss of substandard rental accommodations. In order to comply with the regulations, landlords may require a unit to be vacant while they undertake repairs. If the Bylaw were to be applied to all rental accommodation, including unlicensed suites, contraventions of other regulations may be brought to light that would result in loss of this rental accommodation. For that reason Staff recommend the application of the proposed new bylaw be initially limited to “commercial” residential premises only – starting with rental buildings with four or more residential units.

2. Cost and Complexity to Administer and Enforce

Creating new regulatory areas (interior of buildings) may sharply increase the number of complaints that require investigation. Bylaw Enforcement Officers may not have the technical expertise to be able to inspect and enforce particular standards, which may impose further burden on building, electrical and plumbing inspectors, or require retention of external experts. This is particularly the case in terms of regulations around pest control, the enforcement of which will require additional training resourcing for the enforcement team. The proposed process for complaint intake is designed to address the risk that City resources will be insufficient to adequately enforce the Bylaw. By effectively triaging Standards of Maintenance complaints, expenditures may be better managed. However, one of the downsides of this approach is that it will require complainants to take several steps prior to contacting the City, and their issue may not be addressed in a timely manner.

3. Lack of Compliance

Fines are unlikely to be effective with property owners who may consistently be keeping properties in a poor state of repair, and alternative means of penalizing non-conformance may be required. Other enforcement action, injunctions or business licence hearings, may result in tenant displacement if landlords are forced to undertake the renovations.

Next Steps

Subject to Council direction, staff will undertake the following:

- Bring forward and implementation and resourcing plan to council for approval
- bring forward a bylaw to implement the standards of maintenance elements described in Attachment G
- work with inspections and licensing to development internal systems and processes required for complaint intake and enforcement
- develop tracking protocols to monitor bylaw efficacy and resourcing requirements
- report back to Council in Q1 2020 regarding bylaw efficacy and potential changes.

Tenant Assistance Policy

Recommended Elements

Measures taken by a developer to mitigate negative impacts of the proposed development on existing tenants may be considered by Council in rezoning applications (in cases of redevelopment) as well as being prerequisite for participation in the Market Rental Energy and Seismic Upgrade incentive program for significant upgrades to an existing building (see below for information on the incentive program). The TAP provides voluntary guidelines for landlords, developers and property owners in other cases of redevelopment and renovation.

This policy is targeted at mitigating the impact of displacement on vulnerable tenants, and vulnerable tenants are provided with enhanced compensation and relocation assistance in the recommended TAP. Vulnerable tenants may include:

- long-term tenants who may be paying significantly below market-rent, and for whom entering the current market may present financial challenges
- tenants with specific housing needs due to a disability
- seniors, who may be long-term tenants and living on a fixed income
- other individuals who self-identify as vulnerable.

The following recommended elements were developed following a municipal best practice review, feedback from landlords and tenants, and discussions with various pertinent staff at municipalities with similar policies. These elements should be updated as amendments are made to the Residential Tenancy Act in the coming year.

Content	Current RTA requirements	Basic elements of Tenant Assistance Policy	Enhanced elements for vulnerable tenants
Notice to Tenants	2 months	3 months	Additional Notice
Compensation	Equivalent of one month's rent	3 months	Additional compensation based on length of tenure and other identified vulnerabilities

Content	Current RTA requirements	Basic elements of Tenant Assistance Policy	Enhanced elements for vulnerable tenants
Relocation Assistance	None	<ul style="list-style-type: none"> • Appoint tenant relocation manager as primary point of contact • Identify 3 relocation options (min. 1 in same neighbourhood) at tenant request 	Identify vulnerable tenants and provide additional assistance at tenant request
Moving Expenses and Assistance	None	Hire a moving company or provide monetary compensation of \$500 for 1-bed or studio and \$750 for 2-bed or more	Actively coordinate move
Right of First Refusal	None	Right of first refusal with 10% reduction in starting rent	Additional reduction in starting rent

A full version of the recommended Tenant Assistance Policy can be found in Attachment H.

Risks and Recommendations

Feedback from landlord and tenant stakeholders identify two areas of particular risk related to the recommended elements of TAP.

Provisions may not be practical

- Tight rental market makes mitigating the consequences of displacement extremely challenging
- First right of refusal at reduced rent will make it difficult finance building upgrades and renovations (i.e. no new revenue)
- Identifying options for relocation will be highly challenging; therefore, the optimal result would be for tenants to remain in place.

Policy will not apply to majority of cases of tenant displacement

- The scope of application of the Tenant Assistance Policy is very narrow and does protect tenants from eviction when proposed renovations or development does not require rezoning.

Efforts to minimize displacement in the City's highly constrained rental market should be the priority. In the last six months, the Provincial Government has initiated significant changes to the RTA, and recently struck a Provincial Rental Housing task force to make recommendations to modernize the RTA. Those recommendations are expected to be brought forth in the fall of 2018. There may be a need to revisit the City's recommended TAP when these changes are finalized and made law. Given the primacy of the RTA in determining the relationship between of landlords and tenants, it is recommended that the City consider developing a grant program to help support non-profit organisations that directly support tenants in understanding their rights under the RTA and for assisting tenants with complaints to the RTB where appropriate.

Next Steps

Subject to Council direction, staff will undertake the following:

- undertake the necessary steps to adopt the policy, including developing procedures and administrative forms and processes
- work with Legislative and Regulatory Services to develop internal systems and processes required for complaint intake and enforcement
- develop tracking protocols to monitor policy efficacy and resourcing requirements
- report back to Council in Q1 2020 regarding bylaw efficacy and potential changes.

Energy Performance and Seismic resilience

Overview of proposed program

Based on the feedback received to date, as well as outcomes of consultant analysis in terms of energy efficiency and seismic upgrade potential on target building archetypes, staff recommend test piloting a program as outlined below.

Recommended program prerequisites

In order to be eligible, applicants will need to demonstrate that they meet the following program prerequisites:

Prerequisite	Rationale
No tenant displacement. In exceptional circumstances where displacement is required, adherence to Tenant Assistance Policy.	One of the key drivers of the MaRRS project is to provide tenant stability measures. While the program is seeking ways to encourage “better than basic asset replacement” upgrades when an owner decides to do upgrades, the City intends to only incentivize projects that provide tenant stability measures.
Conduct energy, condition, and seismic assessment	Every building is in a different state of condition, and presents different opportunities for upgrades. An assessment helps to prioritize and be strategic with investment. This prerequisite could be waived if a building implements “best in class” upgrades, for example Passive House certified windows.
Share energy consumption data over time with City of Victoria through Energy Star Portfolio Manager	Portfolio Manager is a free online tool for tracking energy and water consumption over time, and sharing energy consumption data or “benchmarking” has been identified as a strategy for improving energy literacy in the Climate Leadership Plan. Establishing an Energy Star Portfolio Manager account is a small undertaking, and should take a property owner no more than 1-2 hours to set up.

Recommended energy efficiency strategies to be incentivized

Measure	GHG reduction potential	Relative Incremental Cost
Heating boiler replacement to high efficiency *	High	Low
Domestic Hot Water heater replacement*	High	Low
In-suite Heat Recovery Ventilators	High	High
Domestic Hot Water Fixtures **	High (if gas heated)	Low
Windows and sliding glass doors (best)	High	Medium to high
Windows and sliding glass doors (better)	Medium	Low to medium
Improved air tightness during cladding renewal	High	Low
Improved air tightness and exterior insulation during cladding renewal	High	Medium
LED lighting	Low	Low to Medium
Roof insulation	Low	High

* Fortis BC's Efficient Boiler and Water Heater programs provide rebates for these component upgrades, and are popular programs among landlords and property owners/managers. The City will not provide incentives for measures covered by other programs, but will provide assistance with accessing these programs.

** Fortis BC's Rental Apartment Efficiency Program offers at no charge the installation of water-efficient showerheads and faucets and the conducting of an energy assessment to identify energy-efficiency improvements and upgrades. The City will not provide incentives for measures covered by other programs, but will provide assistance with accessing these programs.

Recommended seismic improvement strategies to be incentivized (for wood frame 3-4 storey buildings)*

Measure	Relative Incremental Cost
Seismic assessment to identify, quantify and prioritize upgrade opportunities in a particular building	Low
Addressing a weak storey over surface parking	Low to medium
Introducing new shear wall elements in exterior walls,	Low to medium (when combined

when upgrades to exterior cladding are being performed	with exterior cladding work)
Introduce new shear wall elements to interior walls (e.g., corridor walls), when upgrades to interior walls are planned	Medium
Upgrades to concrete foundation elements at interior areas of the building (e.g., new foundation elements)	Medium to high

* Note that high-rise concrete buildings represent more significant challenges from a seismic upgrade feasibility perspective, and for that reason the program has focused on 3-4 storey wood frame archetypes at this time.

Market Rental Energy Efficiency Program Ambassador

In addition to the elements outlined above, a key recommendation resulting from stakeholder feedback is to provide assistance in connecting landlords and property owners and managers to existing and forthcoming rebate programs via a program ambassador. It is recommended that the Community Energy Planner assume the role of the program ambassador.

Incentives

Incentives are proposed to be tiered according to the number of measures implemented and their relative GHG and seismic impact. Application process is recommended to use a checklist format, and subject to Council approval, incentives may include the following:

Assistance in connecting to existing rebate programs

A key piece of feedback received from landlord and property manager stakeholders was the acknowledgement that many are already implementing energy efficiency measures in their buildings, and many more are interested but lack awareness and access to existing rebate programs that can help to facilitate such upgrades. This is due to the fact that many of these programs change names, or are discontinued over time in some cases. As there are a number of existing (e.g., Fortis BC's Rental Apartment Efficiency Program) and future (e.g., the Provincial government's announced retrofit program) programs to help facilitate these kinds of upgrades, it was noted that the City has a role to play in ensuring up-to-date information regarding the rebate and funding programs that are available.

Expedited Permitting and Building Permit Rebates

Stakeholders noted that the permitting process can be a barrier to undertaking upgrades to market rental apartment buildings, both in terms of time uncertainty as well as fees. Expedited permitting and providing permit rebates can help to alleviate these barriers and are proposed as incentive elements for those participating in program.

Tiered property tax holiday in designated geographic areas in the City

It is acknowledged that while energy efficiency and seismic upgrades have benefits to property owners in terms of lowered energy bills and improved durability and resilience of a long-term asset, these elements come at a capital cost. Property tax holidays are one of the largest incentives that the City can offer in order to arrive at a level that would approximate and incent these magnitude of incremental costs, and were identified through the process as a tool that could encourage the type of upgrades that the City would like to see undertaken to these buildings. It is recommended that this proposed incentive, if adopted, be limited to designated geographic areas

in the City. The Rental Retention Area identified in the Draft Fairfield Neighbourhood Plan is a potential area where this could be test-piloted to incent the retention and upgrade of market rental buildings while ensuring tenant stability.

Density Bonus

In addition to property tax holidays, one of most significant incentives that the City can offer landowners is additional density. The value of permitting the extra density required to develop underutilized parking lots adjacent to existing rental buildings may offset the magnitude of incremental costs associated with energy and seismic upgrades. Acknowledging that there are several ongoing projects and processes related to an update to the City's *Density Bonus Policy*, this is not recommended to be included as an incentive for energy and seismic upgrades at this time. However, in cases where property owners are exploring the potential for added density on sites with an existing rental building (e.g., the property has large surface parking lot or where an additional storey may be feasible), it is recommended that the program provide policy guidance to encourage retention of existing rental units and the creation of new rental stock.

Next Steps

Subject to Council direction, staff will undertake the following:

- work with Development Services and Finance to develop internal systems and processes for administering the incentive
- identify a geographic area suitable for a tiered tax holiday program
- work to identify pilot projects for testing and further development of the incentive program.

Accessibility Impact Statement

Provisions outlined in the Rental Property Standards of Maintenance Bylaw are intended to improve accessibility to market rental buildings in the City.

2015 – 2018 Strategic Plan

The MaRRS project aligns with objectives *1 - Innovate and Lead*, *3 - Strive for Excellence in Planning and Land Use*, *12 - Take Climate Action and Prepare for Emergencies*, and *13 - Demonstrate Regional Leadership*.

Impacts to the Financial Plan

The implementation of building permit rebates will impact City revenue. A tiered property tax holiday in designated geographic areas in the City would result in shifting of the tax burden to other tax payers. It should be noted that initial uptake is anticipated to be low due to the fact that the program will be piloted in a small geographic area in the City, and staff recommend limiting the initial pilot to 3 buildings.

The implementation of a Rental Property Standards of Maintenance Bylaw will require additional staff resources in terms of administration due to anticipated increases in complaints, and enforcement related to Bylaw contraventions. The implementation of a Tenant Assistance Policy will require additional staff resources in terms of administration and monitoring. The full financial impact will not be known until the Bylaw and Policy have been implemented and monitored, and staff will report back to Council regarding these impacts.

Official Community Plan Consistency Statement

OCP Housing and Homelessness Goals and Objectives

"Housing is a basic human need. All people deserve access to housing that is safe, stable and affordable and that supports personal and public health."

Section 13 – Housing and Homelessness Goals

- 13 (a) - All residents have access to appropriate, secure, affordable housing
- 13 (b) - A wide range of housing types, tenures and prices gives residents choices.

Section 13 – Housing and Homelessness Objectives

- 13 (b) - That housing affordability is enabled for housing types across the housing spectrum, particularly for people in core housing need
- 13 (c) - That the existing supply of rental housing is expanded through regeneration
- 13 (d) - That a wide range of housing choice is available within neighbourhoods to support a diverse, inclusive and multigenerational community.

OCP Sustainability Vision

"Victoria is an urban sustainability leader inspiring innovation, pride and progress towards greater ecological integrity, livability, economic vitality, and community resiliency confronting the changes facing society and the planet today and for generations to come, while building on Victoria's strengths as a harbour-centred, historic, capital city that provides exceptional quality of life through a beautiful natural setting, walkable neighbourhoods of unique character, and a thriving Downtown that is the heart of the region."

Section 12 - Climate Change and Energy Goals:

- 12(b) - New and existing buildings are energy efficient and produce few greenhouse gas emissions.

Section 12 – Climate Change and Energy Broad Objectives:

- 12(a) - That climate change is mitigated through the reduction of greenhouse gas emissions from buildings, transportation and solid waste
- 12(c) - That community energy consumption and generation are managed to give priority to conservation and efficiency, diversification of supply, renewable energy, and low carbon fuels.

CONCLUSIONS

This report provides results of the Market Rental Revitalization Study, including several key initiatives that Council have directed staff to pursue, including a Rental Property Standards of Maintenance Bylaw and Tenant Assistance Policy. Potential implications of these measures are outlined and described, for Council consideration. Energy and Seismic Upgrade analysis and incentives are also outlined and identified as providing a significant opportunity for taking measures aligning with the City's Climate Action goals.

Respectfully submitted,



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Report accepted and recommended by the City Manager:



Date: May 3, 2018

List of Attachments

- Attachment A: Market Rental Revitalization Study Consultant Report - RDH, Community Social Planning Council, and Skyline Engineering
- Attachment B: Rental inventory maps
- Attachment C: Characteristics of target buildings for analysis
- Attachment D: Summary notes from landlord focus group
- Attachment E: Summary notes from tenant focus groups
- Attachment F: Survey responses to Emerging Direction report
- Attachment G: Recommended Rental Property Standards of Maintenance Bylaw
- Attachment H: Recommended Tenant Assistance Policy.