

Dear Mayor and Council:

## 1201 Fort Street Development Proposal

I have finished reading the Union of BC Municipalities' (UBCM) Report on Housing Affordability (94 pages long) published in January 2018. There is a lot in this report which shows the 1201 Fort Street Development Proposal to be a poor one, one that should not be approved.

There is only one reason to accept the 1201 Fort Street Proposal. And, that is whether or not it answers the problem of housing in Victoria. It does not. The only problem of housing in Victoria is one of affordability. The development proposal for 1201 Fort Street and 1050 Pentrelew Place does not provide any tangible affordability component for the size and scope of the rezoning required, along with the amendment to the Official Community Plan and the numerous generous variances. This Proposal should be denied.

It should be noted that the UBCM report debunks the concept that building more supply will lower the costs of housing. The rise in prices is not because we are not building enough - it is based on speculative demand. The narrative surrounding the affordability crisis has in recent years been almost exclusively framed as deriving from limits on housing supply. This argument has intuitive appeal because it points towards the supposedly simple solutions of reducing development processing times and associated fees. What it ignores is a substantial body of evidence built up over a decade highlighting the role of speculative demand – both foreign and domestic – in driving prices upwards.

The report does not mention the theory of trickle down affordability, (a concept I would put in the dustbin of 'zombie economics'.) It simply suggests that one reject simplistic single dimension approaches to housing supply.

It does start by saying the obvious, known elsewhere but still current here, that what we are doing is no longer working. We need evidence-based solutions based on good data collection, data development and data sharing. We can no longer rely on Mayor Help's estimates of our future population growth, nor surveys of people who say they want to move here as THE reason to build, build and build more. We need transparent data from City Hall to identify and number the units built over the last 5 years. We need this data on units approved and those being built, as well as data on those applications in the pipeline. We need to be able to agree on the actual facts including real population inflow in order to make decisions, especially with the propensity of amendments to the Official Community Plan for the thousands of 'ghosts' that Mayor Helps and Mr. Tinney continually suggest want to move here. We also need to agree on the number of units that have been removed from the housing market by being empty or used for short-term rentals.

The UBCM does emphasize that the market with its skyrocketing prices is being driven up by speculation and very poor regulatory management - many of which fall within municipal control.

For instance, allowing 100% rentability increases speculative demand and raises prices. We also need to control the number of short-term rentals. And, we are building more units (by changing the OCP) at a faster rate than the increase in actual household formation. We are 'in effect' building and exporting our housing to investors, a new 'profitable industry'. But, we are not providing housing for our citizens. There is now an extreme disconnect between housing prices and income that is historically unprecedented. Not only are we over-building to the benefit of investors, we are building more of what we do not need, and not enough of what we do need - affordable housing that will be used as housing.

It also talks about Development Cost Charges and Community Amenity Contributions as a cost-effective way to cover the costs a City incurs with new development...in a demand driven market, such as that currently experienced in Vancouver, [and Victoria] the impact of exceptionally strong demand easily outpaces the impact of development charges. Cutting development charges in such a market would simply increase profits to sellers while creating gaps in the capacity of local government to finance needed infrastructure. We are impoverishing ourselves and putting ourselves on the path of financial insolvency by forcing these capital costs onto house taxes alone. In order to keep up with increased capital costs from increased density our taxes will rise faster than inflation.

It also acknowledges that there is a cost to taking a development through the rezoning process and the cost increases with the number of times a proposal is revised. However, it is also important to note that this is not the reason for B.C.'s very high housing prices. Over the past 12 years, the price of a benchmark residential property in the lower mainland has increased over 250% from under \$400,000 to over \$1,000,000. That clearly is not a result of changes in development approval times or the cost of the development approvals process. The number of times that Abstract has chosen to bring revisions back to City Hall falls squarely on his unwillingness to respond to Council's recommendations. Now, after 3 revisions and nearly two years, two recommendations are still unanswered.

It is also important to highlight the very large volume of developments being approved. In 2016, B.C. housing starts exceeded 40,000, and 2017 estimates are in line with that estimate. This represents a rate of supply expansion that is, and has for a considerable length of time, been on par with, or higher than, the rate of household formation.

We are over building. And, we are building too much of the wrong type of housing. A recently released study examined Census data between 2001 and 2016, to find that 1.19 net units of housing were added for each new household in Metro Vancouver in that period.

We are operating in a vacuum of factual information. Our building policies in Victoria are based on surveys of wealthy individuals, nameless 'ghosts' who may want to live here in the future, and more concretely, on wealthy investors, speculators and insiders working in a regulatory desert where profits are high and taxes avoidable.

We are not managing what we are building and we are losing a good percentage of that to short-term rentals and empty units that take them out of the market as homes, creating more scarcity and raising the prices of what is left. Census data point towards a large and increasing number of vacant homes. 2016 data indicates that in Metro Vancouver 6.5% of all

homes were unoccupied, a growth of 14% over the past 5 years. A number of these units are seasonal second homes for foreign buyers, others are pure 'buy and hold' investments, not seeking rental income. According to Stats Can, in 2016, Victoria City proper had 3,250 empty homes, an number equivalent to 7% of our housing stock.

The development proposal for 1201 Fort Street does not answer the housing problems that are before us. Instead, this development proposal epitomizes everything that is wrong with our current housing policies in Victoria and will only exasperate housing problems in our City further. There is no valid reason to approve this proposal. The only benefits are to the developer.

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