



November 21, 2022

To the Members of the Legislature of British Columbia

The announcement of elimination of rental bylaws in BC will dynamically change home ownership across the province. CHOA is encouraging the legislature to understand the potential consequences of this decision, as it will affect a significant constituency who, for almost 60 years, have purchased into strata communities with the confidence their property use would have permitted controls over ownership occupancy and limited rentals.

British Columbia currently has over 34,000 strata corporations with 900,000 units in a wide variety of configurations. Based on the studies of occupancy rates and affordability of rental units in strata corporations, it appears the objective of this amendment is to resolve a rental housing crisis identified by government. Over 75% of the strata corporations are under 50 units, and over 95% of those communities are self-managed. Since 2010, owner developers have filed a Form J rental disclosure on new properties that exempts rental bylaw applications. This exemption applies to approximately 300,000 units that have been constructed within the period, most of which were for 99 years. In addition, many strata corporations pre 2010 within metropolitan areas of 50 units or more either do not have rental bylaws or permit a minimum number of rentals.

The greatest loss of rental units identified in the past 10 years is attributed to short term accommodations, as the number of potential rental units, not encumbered by a rental bylaw since 2010, has increased by 300,000. By decision, strata corporations who do not prohibit short term accommodations also do not prohibit rentals. It is time to take a close look at the impact of short term accommodations on rental housing. The municipality of Sechelt recently took a bold stand on the number of permitted short term rentals to addressing housing shortages.

With the co-operation of strata corporations in Metro Vancouver, Victoria, Prince George and Kelowna, the Condominium Home Owners Association, which represents over 250,000 members across BC, has closely monitored rental and occupancy rates to determine if rental bylaws have any impact on occupancy rates to the detriment of our housing market. The study was conducted in 2016, updated in 2018 and again September 15, 2022. The greatest vacancy rate is within buildings constructed since 2010 with no rental restrictions averaging 18-24% in 2022 down slightly from 20-31% in 2018. At the same time properties with rental bylaws average a vacancy rate of 0-4%. The expectation that the removal of rental bylaws will result in a solution for rental housing, has no correlation to the statistics. By region the same test was applied to 8 properties in Kelowna, Victoria and Prince George with identical results. The potential effect of terminating rental bylaws in self-managed strata corporations, will be the displacement of exempt family rentals and an increase in purchases for the purpose of speculation and investment.

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Strata corporations constructed since 2010 were still permitted to adopt rental bylaws; however, developers were permitted to impose a rental exemption disclosure on specific strata lots in a development. These units were exempt from rentals, while many smaller strata corporations of 10 units or less, created since 2010, were not exempted by owner developer rental exemptions.

The consequences and burden of removing rental bylaws will be borne by self-managed strata corporations of 50 units or less that rely upon their resident owners to participate in strata councils to support the operations and maintenance of their properties. Landlords rarely participate in property operations, and rarely support increased strata fees or special levies for repairs. In addition to the onerous task of operations, we will now be downloading the work load of managing tenants on the volunteers we charge with the statutory obligations of property operations under the Strata Property Act. The Strata Property Act does not permit a strata corporation to screen tenants. They are at the mercy of whoever landlords accept as tenants.

By removing rental bylaws, the legislature will be asking property owners, who since 1964 have been granted an accrued right to limit or prohibit rentals, to forgo these rights and act as rental property managers, the very condition they intended to avoid by purchasing in properties constructed prior to 2010. For all strata corporations below 50 units exposed to unlimited rentals, the additional burden of tenant management may well make the difference between willing council members and strata corporations unable to fill a minimum of 3 council positions. Without a valid council, strata corporations will be forced to appoint an administrator.

The insurance crisis that occurred between 2018 and 2020 identified the high risk many strata corporations in BC are exposed to. It has become an increasingly more difficult market to obtain affordable and competitive insurance for strata corporations. A condition that is often imposed on strata policies now includes whether the strata corporation permits rentals, and if so, how many. Tenant rates of 25% or higher pose an unmanageable risk for many strata corporations. Tenant caused losses are frequent and of high value because the tenant's risk is low, the landlord is left with the liabilities of claims and deductibles, and insurance deductibles are not priority charges forcing strata corporations to go to the Civil Resolution Tribunal or BC Supreme court to obtain judgements. Insurers and brokers calculate tenancy capacity when providing policies with an impact on policy rates and deductibles.

The amendment of the Act that permitted wind up options by 80% also poses a risk for strata corporation's redevelopment. The only protection they are afforded from a buyer is enforcement of rental bylaws that shield their community from a controlling interest, intent on preventing valuation increases on fair negotiations on wind up. Strata corporations pre 2010 with rental bylaws have a benefit against predatory investors who attempt to purchase 21% or more units with the intent of controlling future use, development, and preventing a price up lift on property value when the corporation is considering a windup. Where rental bylaws exist, developer/buyers generally avoid these tactics as they are left holding property from which they cannot generate any revenue. Comparisons are frequently made to other provinces that do not permit rental bylaws, yet those provinces also do not stratify small properties like the thousands of duplex to ten-unit structures across the province, who must self-manage. This is an affordability issue for owners, and a strata management capacity issue. The strata management industry is in crisis because of severe staff shortages of qualified licensees. The management of properties is evaluated by brokerages based on whether they do or do not permit rentals, or a limit number. The

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scope of work and duty of a manager is significantly higher for strata corporations with high rental ratios. The costs will increase significantly for strata corporation management as will the demands on the brokerages and strata managers.

A significant defect in the *Strata Property Act* is the limited ability for a strata corporation to address bylaw violations and damages caused by tenants. While the obligations and costs may eventually be the responsibility of the landlord/owner, the Act does not create an interest in the tenancy to enable a strata corporation to evict tenants who place the property and residents at risk. To fully resolve the issue, the Residential Tenancy Act also requires amendments to permit strata corporations to act in place of a landlord, where a tenant places a community at risk for loss of property or continuous violation of bylaws. An amendment to the Strata Property Act that permits a strata corporation to directly charge an owner for bylaw violations, damages and losses, would compel landlords to act responsibly. A policy change within the Residential Tenancy Board will not resolve the issue that limits strata corporations from evicting problem tenants. A strata corporation does not currently hold a legal interest in a landlord tenancy relationship. Without a change to the legislation, the ability to evict will quickly be challenged by the same problem tenants that create havoc in strata communities.

Whether the provision of rental bylaws remains or not, the Form K, notice of tenant's responsibilities and the provisions of the Act that automatically assigns the rights of an owner to family members requires amendment. The assigned rights of an owner, which may be identified on a Form K, enables a tenant to be elected to a strata council and conduct business that may result in significant, negative implications for strata corporations. An assignment should only be created with the written consent of the owner/landlord, and may include specific limitations. This implication may also potentially affect non-residential strata lots. The completion of a Form K for all rentals or leases could be amended to include: assignments to permit eviction by the strata corporation in the event the owner/landlord fails to address serious tenant issues, the assumption for costs of bylaw violations, damages and insurance claims, and the described authority of the tenant permitted to act on behalf of an owner. The Form B Information Certificate contains a requirement for strata corporations to disclose the total number of rentals in a strata, at the time the form is issued. Unless a strata corporation closely monitors the number of rentals, including family rentals as exemptions, the number rarely represents a true or accurate value. This is most apparent in strata corporations with no rental bylaws. Consumers expect a fair reporting of this decision when purchasing to establish whether they are in a rental building or condo/owner building. The number it represents and how it is reported should be reviewed on the Form B.

What are the benefits and implications to eliminating rental bylaws other than the optics of providing potential rental housing where no vacancies exist and place the burden of this solution on strata owners across BC? A large emphasis has been placed on the development of communities within strata corporations. The high rate of tenancy turnovers, undermines that emphasis and imposes a much higher security risk, for seniors, women, single occupants, and vulnerable residents. The affordability of homes within rental restricted communities will be removed. Free market, is not a free market if the intentional strata communities cannot determine the use of property within their community. The market has thrived because homeowners have been enabled to control and manage their strata properties. Strata properties are not affordable housing. Once strata fees, taxes, insurance and long term renewals are calculated, landlords are not in a financial position to make strata rental housing available in affordable communities.

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There is not a shortage of strata housing units available for rent, but they are not within a classification of affordability because of operational cost. There is no evidence that 2,900 units are affordable or accessible housing.

We are encouraging all members of the legislature to seriously consider any decision to remove existing legislation permitting rental bylaws from the *Strata Property Act*.

A handwritten signature in black ink, appearing to read "Tony Gioventu", written over a horizontal line.

Tony Gioventu, Executive Director
Condominium Home Owners Association of BC