



VACANCY CONTROL POLICY FOR SRA-DESIGNATED PROPERTIES

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1. INTRODUCTION

1.1 Policies in this Document

This document outlines the *Vacancy Control Policy for Single Room Accommodation (SRA) Designated Properties*. The policies in this document are intended to discourage speculative investment in [SRA-designated properties](#) (also known as “SRO Hotels”) and the resultant tenant displacement, as well as to address the on-going erosion of affordability in the stock.

The scale of the challenge governments and owners face to renew and replace this outdated housing form with dignified, quality homes; while not displacing existing low-income residents and community, cannot be solved with a single regulatory action and requires a multi-pronged approach from all levels of government. While the enclosed policy outlined in this document will not fix all the problems in the SRA stock, it can deter speculative investment, rapid loss of affordability and tenant displacement.

The Vacancy control Policy works in conjunction with existing Provincial *Residential Tenancy Act* (RTA) and City regulations.

1.2 Single Room Accommodation (SRA) Designated Properties

Single Room Accommodation (SRA) includes Single Room Occupancy (SRO) hotels, rooming houses, and non-market housing with rooms less than 320 square feet. Built in the early 1900s, SRO Hotels were originally all privately or society owned, and served as accommodation for seasonal workers, new immigrants and labourers. The majority of SRA buildings are older, heritage buildings that contain 10 by 10 ft. single rooms, typically with shared bathrooms and cooking facilities. As of 2019, there were approximately 6,680 open SRA rooms across 157 SRA buildings in the downtown core.

Over the last 120 years, the context of the housing and inclusion challenges faced by Vancouver’s very low-income, transient and marginalized residents has changed. However, in 2021, these rooms, buildings and communities continue to play a critical role in providing a last resort to many before homelessness. The [Housing Vancouver Strategy](#) calls on all levels of government to partner with the City to replace reliance on outdated SRO hotels¹ by creating new self-contained social housing units that rent at the shelter component of income assistance (currently at \$375). In the interim, and recognizing the important role of existing SRO housing in combatting homelessness, City policy is to secure and improve the remaining stock for low-income residents through government acquisition, regulatory tools (such as the SRA By-law) and grants.

1.3 Speculative Investment & Tenant Displacement

When the SRA By-law was enacted in 2003, 27% of the privately-owned SRA stock was renting at or below the shelter component of income assistance (\$325 in 2003). As of 2019, only 77 rooms (or less than 1%) in the private stock were renting at the shelter component of income assistance (\$375) and the average rent was \$561. While the escalation of rents across the private SRA stock is similar to the loss of affordability in the wider rental stock, the social

¹ The Zoning and Development By-law prohibits the construction of new SRO units.

impacts of the loss of affordability in this unique, outdated housing form present a significant human welfare challenge for government.

While speculative investment in SRAs is a persistent challenge, the high demand for rental housing and low-vacancy rate has brought new pressure to the stock. The sale of private SRAs to new investors correlates strongly with rapid rent increases in the stock. Between 2010 and 2019, over a third of private SRAs (39 buildings) sold on the private market. Over this time-period, following the sale to new investor rents increased at an average annual rate 6 times faster than buildings that were not sold (12% compared to 2%), with average rents in some buildings increasing by up to 28% annually. With no regulatory changes implemented in the SRA stock, it is estimated that the average rent of a privately-owned SRA could be \$769 in 2029 – a 37% increase over a 10-year period (compared to \$561 in 2019).

1.4 SRA Vacancy Control: Protecting Affordability

Generally, vacancy control sets limits on rent increases within and between tenancies. When implemented, it eliminates rapid rental escalations and speculative investment and encourages rental tenancy stability. This policy was introduced as a measure to address these issues in the SRA-designated stock, and to protect some of the City's most vulnerable tenants, many who have limited alternative housing options before falling into homelessness.

Note that this policy is focused on restricting rent increases *between* tenancies in SRA-designated properties. Rent control on the other hand, sets limits on rent increases *within* existing tenancies. Currently in British Columbia, the Province administers a system of rent control through the *Residential Tenancy Act*.

1.5 Role of British Columbia Residential Tenancy Act

British Columbia's [Residential Tenancy Act](#) (RTA) regulates all tenancy agreements in residential rental units across the province. It is essential for both landlords and tenants to understand their rights and responsibilities under the RTA.

The RTA does not currently regulate rents between tenancies – only during them. While the Province at both the staff and political level recognize the value of vacancy control in SRAs due to the stock's unique challenges, the Province has taken no steps to establish vacancy control. It is important to note that the RTA does not prohibit vacancy control; it simply does not currently impose it. The policies in this document are intended to supplement the RTA and support addressing challenges that are unique to Vancouver.

The Province introduced two [new regulatory changes](#) on July 1st, 2021 that add protection for tenants and provide support to landlords. These regulations impact landlords and tenants across the rental stock, including those operating and residing in SRAs. These regulations are explained in relation to this policy in section 3.4.

2. POLICY COVERAGE

2.1 Policy Authority and Governing By-laws

Council is authorized to regulate businesses pursuant to sections 203, 272 and 273 of the *Vancouver Charter*. The policy is implemented through the License By-law and Ticket Offences By-law [amendments](#) approved by Council on December 8, 2021 – available in Appendices A and B.

2.2 Applicable Housing Types

This policy applies to existing rental housing as follows:

- SRA-designated properties, as listed in the SRA By-law and any operated rooms therein that are undergoing a change of tenancy following a period of vacancy as described in the License By-law section [25.1A](#).

Exclusions:

This policy does not apply to SRA-designated properties owned by the government, its agencies or government owned corporations, as they are not subject to the License By-Law.

2.3 Eligible Households

Any person(s) under a tenancy that is [covered by the RTA](#) who is residing in an applicable housing type, as defined in section 2.1 will have their base rent (as defined in the License By-law) regulated by this policy.

3. VACANCY CONTROL POLICY FOR SRA-DESIGNATED PROPERTIES

3.1 Guiding Principles

The development of regulatory options for implementing vacancy control in SRAs was guided by four key principles. The principles are based on the unique context and challenges facing SRAs in Vancouver, and are listed below in priority order.

- 1. Protect affordability for low-income and marginalized residents in SRAs:** prevent rapid rent escalation between tenancies, discourage speculative investment in the SRA stock, and encourage long-term tenancies for residents.
- 2. Mitigate risk of further disinvestments and incentivize priority investment:** include mechanisms that enable property owners to undertake priority and necessary investments in the SRA stock to ensure safe and liveable living conditions for tenants.
- 3. Maximize effectiveness and compliance:** ensure regulatory compliance and effectiveness by crafting regulations that are not overly complex for property owners to comply with and for the City to enforce.

- 4. Ensure fiscal responsibility in implementation and enforcement:** proposed regulations should not be fiscally prohibitive for the City to implement and enforce.

3.2 Permitted Rent Increase Allowed between Tenancies

Landlords of applicable housing types (as outlined in section 4.2) seeking to raise the rent of an SRA room following a change in tenancy are required to abide by the permitted rent increase allowance outlined in this section with the following guidelines:

- i. The permitted rent increase is limited to once per year regardless of the number of tenancy changes during that period.
- ii. The permitted rent increase includes any RTA approved annual rent increases applied to the room in the same year.
- iii. If an SRA room was untenanted for any period of time and the landlord cannot produce a rent roll from the previous tenant, then the landlord can charge a maximum rent of the average SRA rents for that year (published by the City regularly).

The permitted rent increase is as follows:

- i. **SRA rooms renting at or above \$500/month** are permitted a rent increase following a change in tenancy by an amount equal to the inflation rate.
- ii. **SRA rooms renting below \$500/month and above \$375/month** are permitted a rent increase following a change in tenancy by an amount equal to 5% plus the inflation rate, but once the increased rent for the designated room reaches \$500 per month, rent may only increase by the inflation rate.
- iii. **SRA rooms renting below \$375/month** are permitted a rent increase following a change in tenancy at the landlord's discretion and up to \$375.

Noting that the "inflation rate" is defined in the License By-law as: "the 12 month average percent change in the all-items Consumer Price Index for Vancouver, as published by the Province of British Columbia, ending in the month that is most recently available for the calendar year for which a rent increase takes effect." The annual inflation rate for Vancouver can be found [here](#), and is currently 3.8% ([October 2021](#)).

3.3 Rent Relaxation Process to Support Critical Capital Investments and Financial Loss from Extraordinary Operating Costs

This policy recognizes that many of the aging SRA buildings are in significant need of repair that require capital investments, and similar to any other building can face financial loss due to extraordinary and unexpected increase in operating expenses. As such, it allows a rent relaxation process to recoup a portion of that cost. This aligns with provincial regulations enacted by the RTA on July 1, 2021 that allows landlords to apply for additional rent increases when they have critical repairs to the rental unit or building or experienced an unusual or exceptional increase in operating expenses (as detailed below). This allowance encourages landlords to invest in their rental property by allowing them to recover some of these costs without ending tenancies through modest rent increases approved by the RTB Director.

The Provincial [regulation](#) clearly defines the type of expenditures eligible for the additional rent increase, restricts how often a landlord can apply for this increase, and how it is administered to the tenant when approved.

The RTB regulation allows for an additional rent increase on existing tenants if the capital expenditure is to:

1. install, repair or replace a major system or major component property (e.g. electrical, mechanical, structural system or integral component) in order to maintain the residential property in a state of repair that complies with section 32(1)(a) of the RTA;
2. install, repair or replace a major system or major component that has failed or is malfunctioning or inoperative or that is close to the end of its useful life; or
3. install, repair or replace a major system or major component in order to reduce energy use or greenhouse gas emissions or improve the security of the residential property

Additionally, this capital expenditure is not to be expected to recur for at least five years and was incurred in the 18-month period preceding the month the landlord made their application.

To qualify for this increase, landlords are required to either have the tenant's written approval for the rent increase or apply to the RTB and tenants are able to give evidence at a hearing before the rent increase is approved. The rent increase is based on an explicit formula, capped at an additional 3% for one year, with the option to extend the rent increase up to two additional years depending on the cost of the repairs. It is important to note that this RTA regulation applies only to *tenanted* units.

The RTB also allows a process for landlords to apply for a rent increase on existing tenants to recover financial loss from extraordinary increase in operating costs. The RTB regulation outlines extraordinary operating expenses that may be eligible under this regulation (e.g. utility charges, municipal taxes, insurance premiums) that sharply and suddenly increase without warning. Operating expenses do not include capital expenditures or financing costs (both of which have separate additional rent increase provisions), fines or penalties levied for failure to meet an obligation, capital cost allowance or depreciation, and income taxes.

To prove a financial loss to the RTB, a landlord must ordinarily submit into evidence an audited or certified financial statement that:

- summarizes the financial condition of the landlord;
- includes a statement of profit and loss; and
- is signed by someone authorized to sign audited financial statements in the Province of British Columbia, or is certified by a professional accountant, or is accompanied by a sworn affidavit of the landlord that the financial statements are true.

Note the above information is for reference only, and interested parties should refer to the [RTB's policy guideline](#) for the most current eligibility requirements and procedures relating to the RTB regulation.

Once a landlord of an SRA-designated property outlined in 4.2 secures the approval of the RTB to implement this rent increase on existing tenants, they can submit the following for review by the City to allow for a matched rent increase on vacant SRA rooms in the same building:

- all documents submitted to the RTB seeking its approval of the rent increase and details of the RTB's decision;

- documents demonstrating how the designated rooms came to be untenanted and how the applicant complied with the City's Tenant Relocation Policies; and
- copies of all necessary City permits required for the eligible capital improvement approved by the RTB.

3.4 SRA By-law and Permits

According to the SRA By-law, owners interested in major work as outlined in the By-law are required to secure an SRA Permit and provide City staff with a Tenant Relocation Plan. This is in addition to complying with the RTB regulations outlined in section 1.4.1 regarding issuing eviction notices to tenants (if applicable).

Under the SRA By-law, the City and building owners may enter into housing agreements to secure the affordability of some units while allowing the recovery of investment costs. New housing agreements entered after the adoption of the policy can include a negotiation of a one-time adjustment of rents outside of vacancy control, after which vacancy control rent increase regulations will continue to apply moving forward. This one-time adjustment will support landlords investing in the building and allow them to recover some of the costs, while protecting a measure of affordability in the stock.

4. POLICY IMPLEMENTATION

Implementation of this Policy is undertaken by three City Departments in coordination: Arts, Culture, and Community Services (ACCS), Development, Building and Licenses (DBL), and Legal Services.

4.1 Monitoring Framework

Periodic collection of rent rolls is a necessary element for monitoring compliance, and to serve as an evidentiary base for enforcement proceedings. SRA property owners are currently required under the Sections 5.2 and 5.3 of the SRA By-law to maintain records pertaining to rent information and to submit them to the City when requested.

Based on these considerations and the precedence for rent roll collection in the SRA By-law, new regulations in the License By-law require SRA landlords to maintain and submit the following pieces of information on an annual basis:

1. Name and contact details of property owner;
2. Address (including unit number for each room in the designated SRA building);
3. Occupancy status for each room (e.g. occupied, empty, or permanently close);
4. Monthly rent for each room; and
5. Reason for any rent increase from previous reporting period (e.g. allowable RTA increase, additional allowable rent increase for capital expenditures, etc.).

All business licences, including those for designated SRAs, expire on December 31 of every year and need to be renewed for operations in the following year. Staff send licence renewal notices in November to remind licence holders of the renewal requirement.

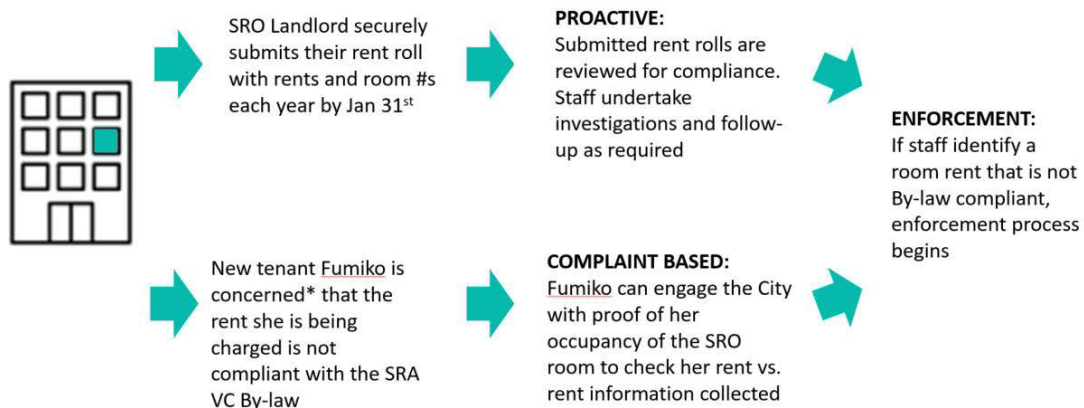
For ease of compliance, **the deadline for annual rent roll submission by SRA licence holders will be January 31 of every year.** SRA landlords will receive mail-outs, in addition to their licence renewal notices, with information on how to submit rent rolls through a secured City website. Remote technical assistance will be provided to SRA landlords who require assistance accessing the website or submitting their rent roll online, or need non-English language interpretation. Failure to submit rent rolls will be treated as a by-law offence subject to enforcement, which is detailed in section 4.2.

4.2 Compliance Framework

The policy's compliance framework for vacancy control in SRA designated properties is illustrated in Figure 1 below. There are two ways the City will uncover potential by-law infractions:

- i. proactively through a regular review of rent rolls; and
- ii. reactively through complaints from tenants and/or advocates.

Figure 1: Compliance framework for vacancy control



4.2.1 Regular Reviews

Staff undertake regular reviews of the rent roll information submitted by landlords to proactively determine compliance. Detailed reviews can be initiated randomly or upon uncovering any discrepancies in the rent rolls, for example if the declared rent for an SRA room is higher than the declared rent of the previous year by an amount greater than the percentage increase allowed.

4.2.2 Complaints from Tenants and/or Advocates

In addition to proactive reviews of rent rolls, the City will also rely on complaints from SRA tenants and/or advocates. To do so effectively, tenants and/or advocates can make an in-person inquiry with City staff at a designated location in the DTES, and remote inquiry by phone or email.

If the tenant is paying rents in excess of the declared rent for the unit, this may be an indicator of non-compliance. Tenants and/or their advocates may then submit a complaint to the City

through the regular City complaint intake channels (i.e. 3-1-1) and by contacting the City's SRA Vacancy Control directly by email vacancycontrol@vancouver.ca or phone (604) 829 - 9275.

4.2.3 Investigation

Regardless of whether a potential by-law infraction is made known to the City proactively through a review or reactively from a complaint, the City will undertake an investigation and notify both the SRA landlord and tenant of the suspected by-law infraction. Both the SRA landlord and tenant may be requested to provide documentation to determine if rent increases are in compliance with the City's vacancy control regulations outlined in this policy and the Residential Tenancy Act (RTA).

Landlords will be required by the License By-law to submit documents or records deemed necessary by the City to demonstrate compliance with the vacancy control regulations, specifically the tenancy agreement and/or rent receipts. Refusal to submit documents is a by-law offence that can be subject to enforcement.

Participation by the tenant in the investigative process is voluntary but strongly encouraged to ensure the sufficiency of evidence. Recognizing that not all SRA tenants may have a tenancy agreement or rent receipts, the City may rely on sworn statements or declaration from tenants as evidence. Staff will also work closely with tenant advocates or representatives over the course of the investigation.

4.2.4 Enforcement Pathways

If there is enough evidence to confirm a suspected by-law offence, the Chief Licence Inspector may issue an order requiring the business licence holder to take the necessary corrective actions. This is an educational opportunity without punitive actions where the goal is compliance.

Failure to comply with an order may result in escalated enforcement, including to prosecution, which can be commenced by a Municipal Ticket Information (MTI) that carries a maximum fine of \$1,000 per day per violation, or long-form prosecution in Provincial Court for more egregious cases where the Court may impose a penalty of up to \$10,000 per offence upon conviction. In some cases where landlords are convicted in Court of charging rents in excess of the allowable limit, the City Prosecutor may ask the Judge to order the SRA owner to compensate the tenant.

Note that each SRA room and each day that the rent was charged inappropriately can be treated as a separate offence. Each casefile is also likely to be unique and the resultant enforcement actions will be contingent on the facts and severity of the infraction.

The following are by-law offences as defined in the City's License By-law and Ticket Offences By-law that can be subject to the aforementioned enforcement actions:

- Failure to submit annual rent rolls;
- Failure to provide documentation when requested by the City;
- Charging vacancy rents in excess of the allowable limits; and
- Providing false information with respect to rent rolls or documentation requested by the City.

4.3 Education and Community Engagement

Recognizing the significant impact the enactment of policy will have on owner/operators, tenants and advocates, the City is devoting substantial resources to developing and implementing an education plan that is catered to each impacted stakeholder group. Staff are also exploring opportunities to engage other third parties such as landlord groups, SRO-Collaborative and the Tenant Resource and Advisory Centre (TRAC) in community education on the SRA Vacancy Control Policy.

**APPENDIX A
LICENSE BY-LAW AMENDMENT**

**A By-law to amend License By-law No. 4450
Regarding Vacancy Control**

THE COUNCIL OF THE CITY OF VANCOUVER, in public meeting, enacts as follows:

1. This By-law amends the indicated provisions of the License By-law.
2. Council adds the following definitions to section 2, in correct alphabetical order:

““Annual Rent Increase” means an annual rent increase authorized pursuant to section 22 of the Residential Rental Regulation and the Residential Tenancy Act.”

““Base Rent” means the rent used to calculate rent increases permitted by section 25.1A of this By-law, and is the last monthly rent lawfully required to be paid by a tenant, including all increases allowed by the Residential Tenancy Act and this By-law, before the designated room was subject to a period of vacancy.”;

““Designated Room” means a residential room in any building designated as single room accommodation pursuant to the Single Room Accommodation By-law.”;

““Director” means the director appointed under section 8 of the Residential Tenancy Act”.

““Eligible Capital Expenditure” means an expenditure that qualifies for an additional rent increase pursuant to Part 4 of the Residential Rent Regulation”.

““Housing Agreement” means a housing agreement authorized by section 565.2 of the Vancouver Charter.”;

““Inflation Rate” means the 12 month average percent change in the all-items Consumer Price Index for Vancouver, as published by the Province of British Columbia, ending in the month that is most recently available for the calendar year for which a rent increase takes effect.”;

““Period of Vacancy” means the juncture between the tenancies of two permanent residents in a designated room, or the time that elapses between occupancy by two permanent residents in a designated room.”;

““Permanent Resident” means an individual who, in return for rent, occupies or usually occupies a room as their residence, and does so for at least 30 days.”; and

““Single Room Accommodation operator” means a person that provides rental housing to tenants in designated rooms.”.

3. Council adds the following as a new section 25.1A:

“Single Room Accommodation Operators

- 25.1A (1) Every single room accommodation operator, other than the government, its agencies or government owned corporations, is deemed to hold a single room accommodation operator licence pursuant to this By-law for any designated room it rents to tenants.
- (2) After a period of vacancy for a designated room, every single room accommodation operator may cause, permit or allow the rent charged for a designated room to be increased to no more than the base rent plus an increase equal to the inflation rate, unless a tenant who vacated the designated room during the previous 12 months was subject to an annual rent increase in the previous 12 months, in which case no further rent increase is permitted by this subsection.
- (3) Despite subsection (2):
- (a) if the base rent for a designated room is below \$500 per month at the time of a period of vacancy, and no tenant of the designated room was subject to an annual rent increase during the previous 12 months, then a single room accommodation operator may only increase the rent by 5% plus the inflation rate, but once the increased rent for the designated room reaches \$500 per month, rent may only increase by the inflation rate; or
- (b) if the base rent for a designated room is below \$500 per month at the time of a period of vacancy, and a tenant of the designated room was subject to an annual rent increase during the previous 12 months, then a single room accommodation operator may only increase the rent by 5%, but once the increased rent for the designated room reaches \$500 per month, rent may only increase by the inflation rate; or
- (c) if the base rent for a designated room is below \$375 per month at the time of a period of vacancy, then a single room accommodation operator may increase the rent to \$375 per month, but once the increased rent for the designated room reaches \$375 per month, rent may only increase in accordance with (3)(a) or (3)(b), until the rent reaches \$500 per month and is governed by (2).
- (4) Subsections (2) and (3) only allow one rent increase following a period of vacancy in any 12-month period, regardless of how many times a period of vacancy may occur.
- (5) If, after the date of enactment of this section, Council enacts a housing agreement that governs the rent payable for a designated room, then the new base rent for the designated room after the agreement is in force shall be the initial rent for the designated room that is set out in the housing agreement.

- (6) If occupied designated rooms are eligible for a rent increase, other than an annual rent increase, authorized by the Director pursuant to Part 4 of the Residential Tenancy Regulation, then the single room accommodation operator may apply to the Chief Licence Inspector for an increase in rent for any vacant designated rooms equal to the amount that would be foregone as a result of this By-law. The Chief Licence Inspector may, after consulting with the GM Arts, Culture and Community Service, approve such an increase if the increase was otherwise approved by the Director, and the applicant submits the following for review by the Chief Licence Inspector:
 - (a) all documents submitted to the Director seeking its approval of the rent increase for occupied rooms in the building, and details of the Director's decision;
 - (b) documents demonstrating how the designated rooms came to be untenanted and how the applicant complied with the Single Room Accommodation By-law Tenant Relocation Policy; and
 - (c) copies of all necessary City permits required for the eligible capital improvement approved by the Director.
- (7) If no rent roll or record of rent paid is available for a designated room after a period of vacancy, then the initial rent paid by a tenant for that designated room is to be the most recent average rent of all designated rooms as published annually by the City.
- (8) Except as otherwise restricted by this By-law, a single room accommodation operator may increase the rent payable by existing tenants during the term of their tenancy as authorized by the Residential Tenancy Act and its regulations.
- (9) Every single room accommodation operator must submit to the Chief Licence Inspector by January 31 of each year, in writing:
 - (a) the name and address of the single room accommodation operator;
 - (b) the address of each designated room, including unit numbers;
 - (c) whether each designated room is occupied, empty, or permanently closed;
 - (d) the monthly rent for each designated room; and
 - (e) the reason for any rent increase since the previous report in writing.
- (10) If requested by the Chief Licence Inspector, every single room accommodation operator must, within 7 days of the written request, provide the Chief Licence Inspector with a copy of any lease, or rent receipt that relates to any designated room.
- (11) No single room accommodation operator shall:
 - (a) fail to submit the information; or

