Creating Market and Non-Market

Affordable Housing

A Smart Growth Toolkit for BC Municipalities

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SmartGrowth BC

cover photo by **Michael Alexander**

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CONTENTS

List of Tables   **page**

1.0 INTRODUCTION

1.1 AFFORDABLE HOUSING IN BRITISH COLUMBIA

The latest salvo in British Columbia's affordable housing crisis came in January 2008 when the real estate markets of Kelowna, Vancouver and Victoria made international headlines. These three B.C. communities were the only Canadian locales to win a place on the list of the top 50 most expensive cities, compared with median income, to purchase real estate in the world.[1] This news follows almost a decade of reports about escalating housing prices. In 2007 B.C.'s housing affordability deteriorated in three out of four housing types. One affordability measure showed that the amount of pre-tax household income needed to service the cost of owning a home stood at 65 percent for a standard two-storey home, 46.5 for a townhouse, and 33 percent for a condo.[2] The Vancouver housing market is the extreme outlier in the country with almost 70 percent of income needed to service housing costs for a home.

In the past two years alone housing prices in BC have increased by 30 percent. Driving these figures are a strong economy and an aging population from across the country.[3] Many baby boomers are converting some of their existing real estate equity into second homes. Recreation and investment buyers are playing a significant role in the Kamloops, Kootenays, Northern, Okanagan and Vancouver Island housing markets. While 92 percent of British Columbians rate their quality of life as "very good" or "good", they identify housing-related social issues such as affordable housing as the most significant issues facing their communities.[4]

BC communities have a problem of affordability in both absolute (the price of housing) and relative (types of housing) terms. Local governments have approved the construction of predominantly single detached homes for the past thirty years. While

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1   See, for example, Peter Coy "Demographia International Housing Affordability Survey," Business Week February 12 2008 http://www.businessweek.com/the_thread/hotproperty/archives/2008/02/demographia_int.html and Andrew Duffy "Victoria Housing Among World's Most Costly," Victoria Times Colonist January 29 2008 http://www.canada.com/victoriatimescolonist/news/business/story.html?id=05cfb462-0a25-4d57-9b1c-b77d8bae03f8, referring to Wendell Cox and Hugh Pavletich (2008). 4th Annual Demographia International Housing Affordability Survey. http://www.demographia.com/dhi.pdf

2   Royal Bank of Canada Economics Research (2008). Housing Affordability http://www.rbc.com/economics/market/pdf/house.pdf

3   British Columbia Real Estate Association (2007) Housing Forecast Fall 2007 http://www.bcrea.bc.ca/economics/forecasts/2007-09Forecast.pdf

4   Ipsos Reid Public Affairs (2007). 2007 Housing and Community Priority Study – Topline Summary Report

the trend has been changing to multifamily forms in the past five years, the focus on single detached homes has shifted the composition of the overall housing stock in many communities to the most expensive per unit housing form. In addition, construction of purpose-built rental accommodation has ceased in many communities. While 30 percent of residents are renters in BC, during the 1990s only 12.5 percent of new housing units built were for rental housing.[5] Low-rise apartments house 41 percent of renters.

Historically, the private sector delivered all housing, including affordable. In areas of special need of supported social housing (seniors, low income, emergency and transition housing), the federal and provincial governments created agencies and programs to deliver social housing, and non-profit organizations managed construction and operation. As the federal government withdrew from funding social housing programs in the early 1990s, the provinces took on the responsibility for delivering social housing.[6] Since 2001 the provincial government has less funding available under its housing programs, leaving local governments searching for creative solutions to providing both social and affordable housing.

During the 1990s it became clear in niche housing markets, such as Whistler, Tofino and Salt Spring Island as real estate prices climbed beyond the reach of most residents, that the housing supply market alone could not provide the range of housing types and prices that housing demand required. As the housing market sector ceases to provide workable options for low and moderate income households, and the public sector cannot afford to subsidize housing beyond what is demanded for social housing, there is a need for creative solutions to ensure that all residents can continue to live in their communities. The real estate industry alone can no longer provide the amount and range of affordable housing required by low and middle income earners – including teachers, trades people, nurses, bus drivers, daycare providers, artists, grocery store staff, and the others who are the backbone of BC communities.

In the past decade B.C. communities have been caught relying on the private sector to continue to provide affordable housing in an international economy where land has become a secure investment that is now valued in many communities in an international land market. Housing, including affordable housing, is both a social and economic benefit, and an integral part of healthy communities. It is up to all levels of government to address this aspect of community health, just as governments provide parks, water supply and a livable urban environment. All levels of government are required to bridge the gap between what the development community provides as housing and what residents need in terms of type of housing and cost. Governments and housing organizations must now facilitate and deliver low end of market as well as non-market housing if most communities are to maintain an adequate housing stock.

Each community in British Columbia is unique, and the approaches to meeting the challenge of affordable housing will be different in each of them. The drivers that create the affordable housing shortage may differ (tourism, amenity migration, increased employment opportunities, low return on rental projects) but the common theme is the

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5   Ministry of Community, Aboriginal and Women's Services (2002). Rental Housing Planning Guide http://www.housing. gov.bc.ca/housing/rentguide/guide_2002.pdf

6   CMHC (1998). Research Report. The Role of Public Private Partnership in Producing Affordable Housing. https://www. cmhc-schl.gc.ca:50104/b2c/b2c/init.do?language=en

rising cost of market housing.

The key to addressing the affordable housing shortage is for local governments to take leadership in developing and implementing housing strategies that include a package of practices tailored to each community's market and affordable housing needs. Local governments are now the ongoing facilitators responsible for ensuring that an adequate range of housing types addresses market and non-market demand.

The purpose of this Toolkit is to give local government staff and decision-makers more detailed knowledge about eight tools that deliver market and non-market affordable housing so they are better equipped to decide which approaches suit their community and to develop an affordable housing program. Local governments have the legislative authority to work with developers to use all of these tools to create affordable housing. This Toolkit provides the support and suggestions on how to craft an effective affordable housing program.

1.2 Non-Market Affordable Housing

A properly functioning housing market should have the ability to provide housing to families and individuals that have full-time employment, irrespective of their income. However, most housing markets in B.C. are compromised by the impact of international housing and financial markets and weak local government policies. Where the housing market is inaccessible even to individuals with full time employment, government leadership is required. Affordable housing is a term used to describe a range of non-market and market housing types. This range is known as the affordable housing continuum. The traditional affordable housing continuum in Canada is shown in Table 1.

However, this traditional continuum fails to recognize the need in most BC communities for non-market affordable housing, which is not social housing (i.e. government supported), for low and medium income earners. The emerging continuum of affordable housing solutions in Canada that reflects the introduction of non-market solutions outside of social housing is depicted in Table 2.

Table 1: Traditional Affordable Housing Continuum

Emergency Shelters	Transitional Housing	Social Housing	Formal and Informal Rental	Affordable Home Ownership
Non-Market			Near Market or Market	

Table 2: New Affordable Housing Continuum

Emergency Shelters	Transitional Housing	Social Housing	Affordable Rental Housing	Affordable Home Ownership	Affordable Rental Housing	Affordable Home Ownership
Government Subsidized Housing			Non-Market Housing		Market Housing	

While it is the responsibility of local governments to facilitate housing for the entire affordable housing continuum, this Toolkit addresses the need for non-market housing. Non-market housing is composed of both affordable rental housing and affordable home ownership. Affordable rental housing is housing where the total monthly shelter cost (gross monthly rent including utilities – heat, hydro and hot water – but excluding parking and cable television charges) is at or below one times the average regional rent, by unit type (number of bedrooms), as reported annually by the Canada Mortgage and Housing Corporation.

Affordable ownership housing is housing with a purchase price that is affordable to households of low and moderate income, which are households within the lowest 60 per cent of the income distribution for the region, as determined by Statistics Canada. Affordable in this context means monthly housing costs (i.e. mortgage principal and interest payment amortized over 25 years and assuming a 25 per cent down payment, and taxes) do not exceed the average monthly rent for the region, by unit type, as reported annually by the Canada Mortgage and Housing Corporation. Affordable ownership price includes the Goods and Services Tax and any other mandatory costs associated with purchasing the unit.

This Toolkit focuses on the tools and strategies local governments can use to supply non-market affordable housing. In most communities government subsidized housing is undertaken by nonprofit housing and service providers, and the development sector continues to build market housing. Nonprofit housing providers are also diversifying into low end of market rental, but demand significantly exceeds supply. Non-market ownership and rental housing for low and moderate income earners is the segment of the affordable housing continuum that is not adequately addressed in most communities, yet it is a core ingredient for smart growth and sustaining the diversity and health of communities.

1.3 Affordable Housing and Smart Growth

Smart growth is a package of land use approaches that, when used together, increase the livability and vibrancy of all sizes of communities. Maintaining and integrating affordable housing into all neighbourhoods and projects are fundamental smart growth concepts.[7] Smart growth development specifically seeks to create diverse housing opportunities by focusing on land use policies that enable people in different family types, life stages and income levels to afford a home in the neighbourhood of their choice.

Other smart growth strategies that promote the affordability of housing include:

- Build well-designed compact neighbourhoods. Residents can choose to live, work, shop and play in close proximity. Compact neighbourhoods support diversity in housing form, such as smaller units, secondary suites, duplexes, triplexes and fourplexes, townhouses, rowhouses, ground-oriented apartments, and in cities, highrises. This diversity makes housing more affordable because less land is used per

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7   See, for example, Smart Growth Network and National Neighbourhood Coalition (2001). Smart Growth and Affordable Housing: Making the Connection http://www.neighborhoodcoalition.org/pdfs/AH%20and%20SG.pdf

unit of housing and a wider range of unit sizes and types is available.

- Mix land uses. Each neighbourhood has a mixture of homes, retail, business, and recreational opportunities. Mixed-use development also promotes housing diversity and more compact forms of development as housing, often medium and high density, is integrated with commercial and service uses. Whether it is apartments above shops or a highrise village surrounding a shopping area, mixed-use land use patterns integrate a range of sizes and housing types into the neighbourhood.

- Encourage growth in existing communities. Community investments in infrastructure (such as roads and schools) are used efficiently by maximizing the use of existing infrastructure, and new development does not build on valuable green infrastructure such as agricultural land and sensitive ecosystems. Containing urbanized areas and building where servicing exists makes housing more affordable because the need for new infrastructure is minimized.

- Increase transportation choices. Creating compact complete communities and providing transportation choices allows residents to live in close proximity to shopping, employment, schools and transit where they are more likely to walk, cycle or take transit on a daily basis. Decreasing the reliance on cars also decreases household costs, leaving more income for housing and other expenses.

- Use smarter, and cheaper infrastructure and green buildings. Green buildings and efficient infrastructure systems can lower housing costs and impacts to the environment over the long term. They can also decrease the cost of housing on a project- and neighbourhood-wide basis by using less costly infrastructure approaches and building homes to a standard that decreases operating costs, particularly for water and energy.

By using land more efficiently, building homes closer to employment, shops and learning institutions, local governments create more complete communities that reduce the need for commuting, expanding costly infrastructure, and eroding the green infrastructure.

In addition to creating healthy communities, the development and maintenance of affordable and diverse forms of housing increases personal health and safety and attracts a qualified workforce. Resort communities have long recognized that providing affordable housing for resident employees is a key economic development strategy. Unless employees can live in the community in which they work, employers will have difficulty in meeting their staffing needs. In addition, commuting long distances from adjacent communities increases the stress on employees and is often unsafe, particularly driving on snowy roads in winter months. The extreme nature of housing costs in BC has expanded this economic development issue from the service sector to many other core sectors such as education, trades, and healthcare.

To better understand the range of strategies available to local governments for addressing affordable housing, Smart Growth BC produced a *Review of Best Practices in Affordable Housing* in 2007.[8] The *Review* examines the range of affordable housing approaches used by local governments in 68 jurisdictions in Canada and the U.S. and provides some preliminary comments about the effectiveness of these tools. The *Review* identified the most commonly used tools and provides a backdrop for Smart Growth BC

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8   Tim Wake (2007). Review of Best Practices in Affordable Housing http://www.smartgrowth.bc.ca/Portals/0/
Downloads/SGBC_Affordable_Housing_Report_2007.pdf

and other organizations to work with local governments and the development sector to develop an affordable housing strategies.

On October 18 2007, Smart Growth BC hosted a multi-sectoral Round Table workshop to evaluate the *Review*. The 50 participants from the affordable housing, local government, provincial government and development sectors identified the eight most promising policies, programs and strategies for creating affordable housing in BC. Those eight approaches are the subject of this Toolkit.

1.4 Purpose Of This Toolkit

This Toolkit is one of Smart Growth BC's resources to support affordable housing strategies. The purpose of this Toolkit is to describe the eight most common affordable housing policies, programs, and strategies used by local governments. These are:

- Inclusionary Zoning
- Secondary Suites
- Density Bonus
- Resale Price Restrictions
- Housing Fund
- Land Banking
- Housing Organization
- Partnerships for Affordable Housing

The objective is to assist local governments to use this information to implement affordable housing programs. This Toolkit brings together examples of local government best practices and points to specific affordable housing approaches to assist communities to address this problem. Each chapter describes the tool, including its strengths and weaknesses, and presents several case studies to demonstrate how local governments in B.C. are adapting the practice to fit their unique needs. Each chapter also contains a snapshot of the people, policies, and actions needed to implement the affordable housing approach.

The tools or types of information in this Toolkit include:

- Definition of each affordable housing strategy;
- Discussion of the strengths and weaknesses of each strategy;
- Case studies from local governments that are using each strategy;
- References to bylaws and other documents;
- A bibliography of references from B.C. and North America.

Please note that the Toolkit uses the term "single detached" housing, not "single family" housing in keeping with evolving planning terminology.

1.5 How To Get Started

The process for developing an affordable housing program is straightforward, but it requires ongoing attention to maintain progress. There are many communities that have

started programs with significant commitment and energy, but then lost momentum during implementation.

1.5.1 Create an Affordable Housing Strategy

The starting point is to create an affordable housing strategy that determines the demographics of, and sets out the housing needs for, the community taking into account the entire affordable housing continuum. The cornerstone of a healthy housing market is local governments taking a leadership role by establishing a minimum ten year housing strategy that addresses housing needs and market demands. A successful local government has an action plan and dedicated resources to quickly respond to the influential market forces in their community.

An affordable housing strategy recommends a series of strategies and actions that would make up an affordable housing program.[9] A comprehensive affordable housing strategy:

- Assesses housing needs that are unmet;
- Assesses future housing needs based on expected population, household composition, housing type, land supply, servicing, market factors and growth management objectives;
- Defines the scope of the local government's participation in affordable housing and identifies future needs for involvement;
- Establishes a well-supported set of guiding principles;
- Adopts objectives and actions or targets designed to achieve them;
- Sets out an ongoing process for identifying land banking and public private partnership opportunities; and
- Sets up a monitoring and reporting system for tracking progress on the implementation of the strategy.

The success of an affordable housing strategy and an affordable housing program over the long term depends on broad public support. The first step in creating a strategy is to convene a series of participatory public meetings to engage a community discussion about affordable housing. These meetings focus on helping the community to understand the extent of the housing affordability problem and some options for addressing it, as well as receiving citizens' ideas about how to create and maintain a range of housing that is affordable enough to keep the community diverse.

These meetings can include discussion based on the Toolkit to determine local priorities for housing, what resources are available locally, which tools are best suited to the community, and which organization could take the lead. If there is no organization that can lead the program then a new organization is needed.

After these community meetings the local government can finalize an affordable housing strategy that assigns tasks and responsibilities to local government staff, council, housing organizations, and the development community. Specific targets, such as number of units per year of affordable housing units as a percent of total units constructed, are

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9 See, for example, Town of Canmore Affordable and Entry Level Housing Study 2003 http://www. canmorehousing.ca/pdffiles/completefinalreport.pdf; Revelstoke Affordable Housing Strategy and Policy Options 2006 http://www.cityofrevelstoke.com/pdf/RevAffHousingStrategy-FINAL.pdf

important for measuring progress.

It is important to note that the local government has the responsibility as the lead agency to ensure that the strategy is implemented. This means local governments must commit staff and other resources to identify opportunities, work with project proponents, build staff capacity, and monitor the strategy.

See Appendix A for a table of contents for an affordable housing strategy.

1.5.2 Create More Compact Complete Communities

Smart growth land use strategies significantly contribute to the affordability of housing. In support of affordable housing strategies, local governments must identify a range of zoning and land development approaches that aim to create more compact complete communities and that enable a range of housing types in each neighbourhood. Local governments can decrease housing costs by supporting development in existing neighbourhoods where additional infrastructure is not needed, and encouraging creative infill.

1.5.3 Educate the Public and Development Sector

Ongoing communication about the benefits of smart growth and affordable housing with both residents and the development community helps to cultivate an understanding of the affordable housing program and the components of creating a livable community. As part of the affordable housing strategy local governments can identify continuous education and communication initiatives. This can include developing a package of information for developers and non-profit housing providers on how to meet housing affordability objectives, such as inclusionary zoning.

1.5.4 Create a Housing Organization and/or Designated Affordable Housing Staff

Each community must designate a person or organization to steward the affordable housing strategy and its specific goals. Local governments can appoint an affordable housing planner or facilitator, and/or create an affordable housing organization whose specific mandate is to attend to the creation and retention of affordable housing. When a person or organization is not specifically tasked to build the community's capacity to deliver affordable housing, affordable housing is often an add-on to developments, rather than integral to them. See Chapter 8 for more details on how to create a housing organization.

1.5.5 Implement Some Policies Immediately

A local government can introduce some policies immediately to take advantage of current development's ability to provide affordable housing. Immediate action also sends the message to the community and development sector that affordable housing is on the agenda. Action can be very simple, such as introducing inclusionary zoning or density bonus policies in an OCP, or establishing a housing reserve fund.

1.5.6 Attend to Regional Planning Policies

Regional growth strategies (RGS) offer an opportunity to address the problems of affordable housing in the regional housing context. They can assist other municipalities and the regional district to better understand the magnitude of the problem and provide guidelines on:

- retaining affordable and rental housing;
- linking housing affordability to smart growth through urban containment, intensification in serviced areas, density and housing diversity targets;
- supporting the creation of secondary suites;
- alternative development standards, such as decreased parking requirements and road widths, to lower the cost of housing;
- monitoring housing affordability.

The most important action is to do something today. The price of housing in BC continues to escalate and there are no signs of it slowing down dramatically. Each new development or change in land use is an opportunity to create affordable housing.

> **Rural and island communities** do not have nor want the high density housing that provides affordable housing units and cash-in-lieu in urban areas. The suite of tools appropriate for rural areas includes:
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> - Secondary suites for residents, not short-term vacation rentals, both attached and unattached to the principal dwelling;
> - Density bonus where a landowner is seeking rezoning for a large parcel (e.g. 200 hectares to 20 hectare minimum lot sizes) or in a village centre. A local government can request clustering of the housing units on a limited landscape to protect the green infrastructure, and seek donation of cash-in-lieu or land for affordable housing such as housing for seniors close to a village centre;
> - Cash-in-lieu to a housing fund for all small developments that need a rezoning, and/or participation in a regional housing fund.
>
> For more information on affordable housing for rural areas see the Islands Trust document, Options for Affordable Housing at http://www.communitytransition.org/resources/orgrptaffordablehousing.pdf.

1.6 A Note About Financing Affordable Housing Using Amenities and Zoning Negotiations

It is clear that local governments may require developers to provide amenities when the developer chooses to proceed under density bonus provisions of a zoning bylaw. Section 904 of the *Local Government Act* allows local governments to establish different density regulations for a zone and conditions that would allow a developer to build at that higher density. The term "conditions" often means to provide amenities, including affordable and special needs housing, which may make reference to the number of units and kind of housing. The local government can also require the developer to enter into a housing agreement before issuing a building permit. The provincial government added

this section to the *Local Government Act* specifically to provide a mechanism for local governments to obtain affordable housing.

It is less clear how local governments may obtain affordable housing when negotiating with a developer where a rezoning not using density bonus is required. Particularly for large developments that involve a significant change in land use and increase in density, there will be considerable discussion between planning staff and the developer about the proposed project and whether it is consistent with the OCP and other regulations. The developer providing amenities, such as affordable housing units, is often part of the staff-supported rezoning application that goes forward to council.

While section 903 of the *Local Government Act* gives local governments considerable discretion in crafting zoning regulations, it does not allow them to require amenities as part of regular rezoning. Local governments cannot "sell" zoning.[10] They can accept promises or gifts from a developer to provide affordable units or cash-in-lieu, but they cannot require it. Whether the affordable housing units are a promise from the developer or an exaction or mandatory requirement from the local government depends on one's perspective. The key test is whether the local government made the affordable housing or cash-in-lieu a condition or requirement for a successful rezoning.

Where a local government is seeking amenities such as affordable housing for increases in density, the appropriate legal route is to use a density bonus. Density bonus regulations can be set out in the zoning bylaw or can be crafted for site-specific situations. Local government are also successfully using covenants registered on the title to the land to ensure that negotiated agreements are implemented.

10   Lui Carvello (2008). Financing Urban Growth: Public Fees and Exactions – Traditional Rezoning "Negotiations" and the New Phased Development Agreement (Vancouver: Continuing Legal Education Society).

2.0 INCLUSIONARY ZONING

Inclusionary zoning refers to zoning regulations that require affordable housing in new developments. A local government may encourage a percentage of the developed units (e.g. the Ucluelet OCP suggests 15-20 percent), or that a specific number and type of units in a given project should be affordable.[11] In some cases local governments permit off-site construction of the affordable units, while others allow developers to pay cash-in-lieu into a housing fund. Local government usually secures the commitment to building the affordable units at the time of rezoning.

Inclusionary zoning is often set out as an OCP policy for rezoning, rather than a specific zoning requirement. It acts as an incentive to provide affordable housing units, land or cash-in-lieu at the time of rezoning.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
Inclusionary zoning means zoning regulations that require an applicant to contribute to affordable housing as part of rezoning for a development. It can include a percentage of the developed units that must be affordable, off-site construction of the affordable units, or cash-in-lieu paid into a housing fund.	Local Government Act s. 897 official Community Plan s. 903 zoning s. 904 density bonus s. 905 affordable housing agreement
Strengths and Weaknesses	
Strengths	**Weaknesses**
• Secures commitment to build affordable housing at time of rezoning, before development begins • Integrates affordable housing across new projects and the community • Relatively straightforward • Ties the impact of new development to affordability of the community as a whole	• Requires new development • Perception that it may drive desired development to other communities • Local governments often allow a buy-out of affordable units resulting in segregation of affordable and market units • May increase the cost of market units • Units not always built

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11   Ucluelet Official Community Plan, Page 31, www.ucluelet.ca/District/bylawsPolicies.php

Linkage programs for commercial development are a form of inclusionary zoning. Linkage programs calculate how much demand for affordable housing a commercial project will create. Using an employee generation formula, local governments attribute a specific number of new employment positions to the commercial project at the time of rezoning. Local governments assign linkage requirements for affordable housing to commercial projects based on the increased affordable housing demand they will create, while inclusionary zoning generally assumes all development will have an impact and must contribute to the solution. In both cases the contribution can be the construction of housing units or cash-in-lieu into a housing fund.

Inclusionary zoning programs are fairly straightforward. New development is encouraged to provide affordable housing units, the number of which is based on the number of new residential market units or square metres of building created. Inclusionary zoning ties the demand for employees and thus new housing to growth in the community, and integrates affordable housing across neighbourhoods and throughout new developments. Finally, inclusionary zoning secures a commitment from the developer at the time of rezoning, before the project is fully approved.

The move towards inclusionary zoning begins with a staff recommendation to Council, which then amends the OCP and zoning bylaw. Implementation begins when an applicant for a development seeks rezoning and provides affordable housing. Council, staff and the project proponents need a strong communication plan to help the community understand the impact of the project.

Local governments can use inclusionary zoning to create rental units and/or homes for purchase. Local governments should decide on the desirable distribution between ownership and rental unit and what form the units will take (apartment, townhouse or duplex). This distribution should be based on a recent affordable housing needs assessment and the specific demand for affordable housing as demonstrated by an affordable housing waitlist, such as those developed by local non-profit housing organizations that manage and build housing.

Inclusionary zoning is an appropriate tool in response to growth. New development is needed for it to work. There is a perception that inclusionary zoning drives development to those municipalities in a regional housing market that do not have affordable housing requirements. While some opponents assert that inclusionary zoning has slowed or stopped development, there is no evidence to support this claim as strong growth continues in the jurisdictions with the most restrictive inclusionary zoning policies that also allow development.[12]

Local governments in the United States have used inclusionary housing programs extensively dating back to the 1970's, and these programs have generated tens of thousands of affordable units. The City of Chicago cites over 200 communities across the country with successful inclusionary zoning programs.[13]

Canadian local governments have not embraced inclusionary zoning to the same extent as local governments in the U.S. In British Columbia, Bowen Island, Central Saanich,

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12 Inclusionary Zoning for the City of Chicago Myths and Facts. www.northpark.edu/umin/tts/IHMythsFacts.pdf
13 Ibid.

Kamloops, Langford, the City of North Vancouver, Surrey, Ucluelet, Vancouver, Victoria and Whistler have used some form of inclusionary zoning for affordable housing.

2.1 CASE STUDY: DISTRICT OF UCLUELET

Ucluelet is a small harbour town on the west coast of Vancouver Island that borders the famous Barclay Sound, the Broken Islands Group and Pacific Rim National Park.[14] It has a permanent population of 1,487 and 640 occupied private dwellings, of which 64 percent are owned and 36 rented. The occupied housing stock is 64 percent single detached, 33 percent apartment, mobile home and duplex, and 3 percent (20) secondary suites.

Ucluelet's challenges with a lack of affordable housing began to escalate in 2001 as tourism activity increased. More tourism created demand for affordable housing for employees of this expanding industry. Ucluelet Council circulated a housing questionnaire, engaged the community through open houses and workshops, and formed a partnership with Malaspina University-College to utilize summer students to gather resident input on future affordable housing projects.

Ucluelet commissioned a report entitled _Best Practices for Establishing Affordable Housing: A Guide for the District of Ucluelet_ in 2003 to outline the housing challenges in Ucluelet, review how other tourism destinations had addressed affordable housing, and recommend strategies for dealing with the problem.[15] One of the recommendations was to adopt inclusionary zoning requirements. In 2004 Council amended the Official Community Plan with the following policies on inclusionary zoning:

3.2 Residential Development[16]

GOAL: The provision of a variety of housing types and densities for a diverse population.

OBJECTIVES:

To ensure the provision of a range of housing types, tenures and densities, which meet the diverse needs of individuals and families of varying income levels and age groups.

To provide affordable housing opportunities.

To provide the most efficient use of services including physical infrastructure, human, social and commercial services.

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14 This case study is based on an interview with Jason Niles, Planner, District of Ucluelet, February 26 2008, and on the following documents: District of Ucluelet (2004). Official Community Plan http://www.ucluelet.ca/UserFiles/File/Bylaws/OCP%20Jan%2011%202007.pdf; Ucluelet Weyerhaeuser Master Development Agreement (2005) http://www.dist.ucluelet.bc.ca/bylaws/Weyco%20MDA.pdf

15 (2003) Best Practices for Establishing Affordable Housing: A Guide for the District of Ucluelet

16 District of Ucluelet (2004). Official Community Plan. Part lll Section 3.2 Page 29 http://www.ucluelet.ca/District/bylawsPolicies.php

POLICIES:

Affordable and Special Needs Housing

To zone land inclusionary and to require that anywhere from 15 percent to 20 percent be deemed for affordable housing in multi-family developments.

To encourage developers to provide 15 percent to 20 percent staff housing for employees' needed to staff new developments .

To encourage private, non-profit and co-operatively run housing units.

The management of affordable housing is very difficult. Deed restrictions and covenants must be placed on the housing units to ensure they will be affordable in the future or the developer may enter into a housing agreement with the District of Ucluelet to ensure the affordable housing is consistent with the Canada Mortgage and Housing Corporation definition of affordable housing. Rental agreements must be established to ensure controlled cost of rent levels. A preventative maintenance management plan should be developed to ensure that safety and health standards are kept up and monitored by yearly inspections. Many staff accommodations are known for unhealthy living standards. Management of affordable housing should be looked at further when more substantial affordable housing is gained in Ucluelet.

Ucluelet has achieved significant gains in affordable housing as a result of these OCP changes. In 2005 the District entered into a Master Development Agreement with Weyerhaeuser for the rezoning of 150 hectares (370 acres) in several large parcels.[17] The Agreement clearly specified the number of affordable housing units required and tied the delivery of those units to the delivery of the various market unit phases. These numbers were based on the 15-20 percent recommendation from the OCP. The Agreement also sets out minimum unit size and distribution by type of affordable unit (50 percent ownership and 50 percent rental). The mix is shown in the table below.

Table 3 Distribution by Unit Type - Weyerhaeuser Master Development Agreement

Percentage	Type	Approximate Gross Floor Area
30	Single Occupant	46 square metres (500 square feet)
40	Double Occupant	56-74 square metres (600 – 800 square feet)
10	Special Needs Occupant	not specified
20	Family Occupants	93 square metres (1000 square feet)

The following table represents the affordable housing units Ucluelet has secured with its inclusionary zoning policies, using master development agreements and rezoning.

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17   The Master Development Agreement can be found at http://www.ucluelet.ca/District/bylawsPolicies.php.

Table 4 Affordable Units Secured through Inclusionary Zoning in Ucluelet

Project	Market Units	Affordable Units
Weyerhaeuser	1359	198
The Moorage	14	2
Black Rock	132	30
Islands West	94	14
Spring Cove	48	9
TOTAL	1647	253 (15%)

Council formed the Ucluelet Affordable Housing Committee in September 2007. It is composed of representatives from the tourism sector, local business, First Nations, the social services sector and the general public. The Committee recently announced that the first two units (at The Moorage) are complete and will be occupied early in 2008. The remaining units are anticipated over the next 5-10 years. Ucluelet is developing a process for transferring and managing these units.[18]

Ucluelet has heard consistently from the development industry that successful projects in the tourism sector need to incorporate a strong housing component to sustain a stable workforce and continued success over time.

It is interesting to note that Ucluelet has not had the benefit of a Regional Growth Strategy, an Affordable Housing Strategy, a Housing Needs Assessment, or a professional housing organization, and yet through strong staff leadership and Council direction in the OCP for inclusionary zoning it has secured the delivery of 253 affordable housing units.

2.2 Case Study: City of Vancouver

The City of Vancouver has been using inclusionary or bonus zoning since the 1980's. For example, it requires in its Downtown Eastside Oppenheimer Official Development Plan that any new development or redevelopment requiring rezoning (up to 2.5 floor space ratio maximum density) must deliver 20 percent of the units as social housing.   In the late 1980's the City adopted a policy that 20% of the units in a new neighbourhood be developed as social housing.[19] New neighbourhoods were usually created from rezoning large tracts of industrial or underutilized land which were often under a single ownership.

In new neighbourhoods the owner is required to sell sites to the City that are developed as affordable housing using mainly senior government social housing programs. When federal funding ceased in 1993, it became more difficult to achieve social housing, and the City has subsequently permitted some developers to pay cash-in-lieu. The City has reinvested these funds in the acquisition of other sites which will be developed as affordable housing.   The City's main focus has been on non-profit rental and co-

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18 Interview with Jason Niles, Planner, District of Ucluelet February 26, 2008.

19 Conversation with Jill Davidson, Senior Housing Planner, City of Vancouver Housing Centre

operative housing.

Of the 2400 dwelling units that the City anticipated from this inclusionary zoning in new neighbourhoods, about 1200 social housing units in 18 projects have been built between 1993 and 2008.

In July 2007, Metro Vancouver (formerly the Greater Vancouver Regional District) released a Draft Regional Affordable Housing Strategy (DRAHS). The first of three goals in the strategy is to "Increase the supply and diversity of modest cost housing" at key points along the housing continuum including at the low end of market rental and non-market housing. Metro Vancouver actions under this strategy include "adopting inclusionary housing policies or density bonus provisions as a means of securing additional affordable rental or ownership housing stock".

Vancouver City Council passed a motion on October 2, 2007 supporting the Metro Vancouver DRAHS and recommending that, in consultation with its member municipalities, Metro Vancouver develop a Regional Housing Action Plan including, among other things, inclusionary zoning.[20] Metro Vancouver has since adopted the Affordable Housing Strategy in November, 2007.

The City's experience is that inclusionary or bonus density can be successful as a complement to other funding, in particular senior government social housing programs. However, achieving affordable housing requires that incentives are provided to the developer and these are usually the result of negotiations about increased density and land use. These negotiations have applied to rezonings where there has been an increase in land value.

While the City of Vancouver has achieved affordable housing in new neighbourhoods, the goal of 20% affordable units has been scaled back as a result of the reduction of senior government funding for social housing. Nonetheless, it is a tool which will continue to be used where appropriate.

Whistler uses an employee generation formula as the basis for the Employee Housing Service Charge Bylaw 811 (1990) that requires developers of commercial space or tourist accommodation to construct employee housing or contribute cash-in-lieu to a housing fund.[1] It has become clear to the municipality that residential development has also contributed to job creation and should have been considered in the original bylaw.

This power to require developers to make cash contributions for subdivision or building permit approval is unique to Whistler and other resort communities. Section 933(2.1) of the Local Government Act allows a resort region to impose development cost charges for the purpose of providing funds to assist the local government to pay the capital cost of providing or expanding employee housing to service, directly or indirectly, the operation of the resort activities.

1 The bylaw is available at http://www.whistlerhousing.ca/?NmID=45

20 Minutes of the Regular Meeting of Vancouver City Council, October 2, 2007, p.7 (www.city.vancouver.bc.ca/ctyclerk/cclerk/20071002/documents/regminpf.pdf)

Who

Local government, supported by the community and private sector

What

Community consultation, policy change, negotiating and approving projects, and housing administration

- Engage community to identify housing needs and understand where inclusionary zoning fits into the range of affordable housing approaches needed, ideally through the development of an affordable housing strategy; ensure the community helps to establish parameters of the program (e.g. number of units needed or percentage of units in new developments above a certain threshold size with developments not meeting that threshold contributing cash-in-lieu) and understands how it fits into new development
- Develop staff and council's capacity to put forward a consistent and strong position on providing affordable housing units when considering development applications
- Amend OCP to support inclusionary zoning, establishing recommended targets for number or percentage of affordable units in new development and neighbourhoods
- Negotiate with applicants for rezoning or under a density bonus program to provide affordable housing units if development is large enough, land for affordable housing, or cash-in-lieu
- Make project-specific amendments to the zoning bylaw to allow the density required to support creating the inclusionary units while also securing the applicant's commitment to supply the units through covenants and housing agreements; amend zoning bylaw to allow density bonus in specific zones or neighbourhoods
- Create housing administration organization within or external to local government e.g. non profit organization that manages resale process and monitors/upholds covenants and other encumbrances on title that restrict resale or rental value to maintain affordability

When

Decision to adopt inclusionary zoning should be part of the development of an affordable housing strategy; in the interim, Council can establish an inclusionary zoning policy to take advantage of applications for development in the short-term. Negotiated with each application for rezoning or density bonus

Where

Support cash-in-lieu contributions from all projects, and the creation of new units for all neighbourhoods and sites where it is appropriate to allow sufficient density to make the construction economics work

How

Communicate with the public and development community about the range of affordable housing solutions needed

- Regularly engage the public in person through community associations, forums and annual reporting (particularly through annual municipal reporting as required under the Community Charter) to discuss how specific tools for providing affordable housing set out in an affordable housing strategy or council policy are meeting housing needs; pay particular attention to creating understanding about housing affordability and density or the perception of density
- Inform the development community about inclusionary zoning goals and the approaches that can be used to meet those goals
- Report on best practices and successful projects

Inclusionary Zoning

Boulder, Colorado developed an Affordable Housing Strategy in 2000 that contains a General Inclusionary Zoning Requirement.[1] The Requirement specifies that new residential development must contribute at least 20 percent of the total units as permanent affordable housing. The City's preference is for on-site units. The average affordable unit size is to be 80 percent of the average market unit size up to a maximum of 111 square metres (1200 square feet). The 2007 cash-in-lieu amount is $24,144 for each detached and $20,632 for each attached market rate unit to be built. These amounts are under review because municipal staff have noted that while these amounts allow a non-profit provider to purchase existing condominium or apartment units, they are insufficient to purchase detached or townhome units.[2] Currently, developers buy out most of the required affordable units as cash-in-lieu. A total of 2,797 affordable units were in place by the end of 2007, 1,079 of which were built since 2000. While this represents about 6 percent of all housing units, the original target was to reach 10 percent.

1 The Affordable Housing Strategy can be found at www.bouldercolorado.gov.

2 Interviews with Jann Oldham, Housing & Community Development Program Manager, City of Boulder January 16, 2008 and Cindy Pieropan, Planner, City of Boulder January 23, 2008.

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3.0 Secondary Suites

A standard definition for a secondary suite is difficult to find, and yet most professionals and residents know exactly what a secondary suite is. For the purposes of this report, a secondary suite is any dwelling unit that occurs on a property in addition to the principal dwelling. They can be purpose built (new) or retrofitted into existing housing or property. The most common occurrence is in single detached homes, although some jurisdictions allow suites in duplexes, accessory buildings (coach houses or granny flats) or condominiums. These additional dwelling units include kitchens and bathrooms, and most are attached (meaning they are incorporated within the main building but have a separate entrance). In some cases a lockable door may connect them with the main dwelling. Detached suites are less common but do occur in coach houses above garages or as separate self-contained structures.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
Secondary suites refer to zoning regulations that allow secondary (accessory) dwelling units in certain zones, usually single detached zones. May also allow coach houses or suites over a detached garage, or a detached accessory dwelling unit.	Local Government Act s. 897 official community plan s. 903 zoning s. 904 density bonus BC Building Code 1998, Section 9.36
Strengths and Weaknesses	
Strengths	**Weaknesses**
• Most inexpensive way to increase stock of affordable rental housing • Provides mortgage helper for first time home buyers • Creates units without adding to service infrastructure • Maintains neighbourhood character • Integrates affordable housing throughout all neighbourhoods	• May increase need for parking • Tendency in smaller and rural communities to permit suites on larger lots further from the core of the community rather than closer to downtown • Concern that renters will change neighbourhood character

Secondary suites, also referred to as accessory dwelling units or ADU's, are an excellent first stage solution for communities wanting to encourage affordable housing. It is important to stress that private singled detached housing comprises the single biggest infrastructure component of most BC communities and is an underutilized asset for creating affordable housing. Secondary suites increase the supply of affordable rental housing without affecting neighbourhood character and without the need for a government program or subsidy. They generally rent for less than a similarly sized apartment unit. Secondary suites can create a significant amount of affordable rental housing while also assisting homebuyers and seniors to pay for their homes. Purchasers, often first time homebuyers, can apply the rental income towards their mortgage payment while seniors on fixed incomes can use the rental income to help them cope with the rising cost of staying in their home. Tenants can also sometimes benefit from reduced rent in return for providing assistance with building and landscape maintenance or childcare.

The provincial government updated the B.C. Building Code in 1995 to include some relaxed building standards for secondary suites in detached dwellings. The purpose of these amendments is to make it easier for house owners to construct safe secondary suites. For example, ceiling heights may be lower than required for a duplex unit and sound control between units is not mandatory. The Code defines a secondary suite as an additional dwelling unit:

- having a total floor space of not more than 90 square metres (968 square feet) in area;
- having a floor space less than 40 percent of the habitable floor space of the building;
- located within a building or residential occupancy containing only one other dwelling unit; and
- located in and part of a building which is a single real estate entity (single detached home, not apartment or other building that is strata titled).

It is important to note that a suite must conform with the BC Building Code definition to benefit from these relaxed Building Code standards.[21]

Legalizing existing secondary suites and allowing them to be built in new houses raises a number of concerns about safety and infrastructure for local governments. The cost of bringing existing suites into compliance with building and safety codes is prohibitive for many suites. This reality is influenced both by the cost of upgrading the suite and the lack of incentive for homeowners to upgrade when the suite is already generating revenue. CMHC provides a forgivable loan of up to $24,000 under the Residential Rehabilitation Assistance Program (RRAP) for the creation of a secondary suite or a garden suite, provided that the owner enters into an Operating Agreement that establishes the allowable rent and an income ceiling for the occupying tenants.[22]

Enforcing a requirement to upgrade is difficult as all suites are not known to local governments, and unless there is a complaint and a safety concern, building and safety code issues often are not addressed. Most local governments simply legalize secondary

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21 BC Building Code 1998, Section 9.36
22 CMHC Residential Rehabilitation Assistance Program (RRAP). http://www.cmhc-schl.gc.ca/en/corp/nero/nere/2005/2005-05-02-0930a.cfm

suites as a policy decision and only enforce standards for those suites that are brought to their attention because of a complaint. This policy approach should avoid local government liability for harm caused by sub-standard conditions in suites, unless the local government fails to follow a policy on inspection and enforcement.[23] It is easier for a local government to apply the Building Code to new construction of suites than to retrofits of existing suites or houses.

Secondary suites also raise the issue of increased load on existing local government infrastructure. They are additional units that, if unrecognized, do not pay for the utilities, e.g. garbage, that they use. Some municipalities such as Surrey and Pitt Meadows levy additional utilities fees on homes with secondary suites.[24] Some, like Port Coquitlam, will waive the fees if the suite is occupied by a family member or is unoccupied.

The issue of the impact of secondary suites on municipal infrastructure has been studied,[25] and while it varies between urban and suburban settings, the increase in consumption of services (water, sewer, garbage) due to the secondary suite is generally less than 50 percent of the principal dwelling's consumption. While many jurisdictions charge the same fees for the secondary unit as for the principal dwelling, this research makes a case for charging lower utility fees for secondary suites.

Finally, parking shortages and the character of neighbourhoods are raised as arguments against secondary suites. In car-dependent neighbourhoods local governments often require an additional parking stall for secondary suites, or accept that parking on roadways is a valid parking solution for residential neighbourhoods. In denser communities with good walkability and transit, parking is not as significant an issue. There is the perception that allowing suites will change the character of the neighbourhood; however there is no evidence that this occurs and the number of suites in most communities (more than 10 percent of the housing stock) demonstrates that secondary suites are somewhat acceptable to residents. Smaller communities without sewer infrastructure in more rural settings, like Shawnigan Lake, will only allow secondary suites on larger lots. These lots are typically farther from the town centre and more likely to be reliant on automobile transportation.[26]

Legalizing existing secondary suites or the creation of suites in the existing housing stock is an important part of creating affordable housing because new secondary suites are not necessarily low cost. The City of Kelowna found that allowing carriage homes (detached secondary suites) did not necessarily contribute to affordable housing as the rent was sometimes higher than that charged for the main dwelling.[27] With new housing, the increased cost of construction is a significant factor in the affordability and the incentive to generate secondary units. Affordable rent cannot be achieved without

23   Bill Buholzer (2003). Barriers and Solutions: A Secondary Suites Workshop at pp.11-13. http://www.smartgrowth.bc.ca/Portals/0/Downloads/secondary%20suites%20workshop%20proceedings.pdf
24   GVRD (March 2002). Review of Municipal Secondary Suite Policies in the Greater Vancouver Regional District,
25   CMHC (2001). Research Highlights. The Impact of Municipal User Fees on Secondary Suites; Margaret Eberle and Deborah Kraus (1999) The Impact of Secondary Suites on Municipal Infrastructure and Services. www.tenants.bc.ca/othpubs/impact.html
26   Cowichan Valley Regional District (2006). Shawnigan Lake Consolidated Zoning Bylaw Section 5.19. http://www.cvrd.bc.ca/html/NewDSPage/zoning.html
27   BC Housing Policy Branch (2005) Secondary Suites: A Guide for Local Governments,

affordable construction cost. Even if the construction cost is low enough to charge affordable rent, landlords will usually charge what the market will bear, which may be considerably higher if they can rent to short term visitors.

In the late 1990's, the Whistler Housing Authority determined affordable rent in Whistler to be $13.45 per square metre ($1.25 per square foot) per month. This translated to an affordable housing cost of $1,614 per square metre ($150 per square foot), meaning that if it cost any more than $1,614 per square metre ($150 per square foot) to produce, for example, a 56 square metre (600 square foot) suite, it was not economically viable for the owner to rent it for $750 per month, an affordable rent.

In most BC communities in 2008 it is difficult to produce a housing unit for less than $2,690 per square metre ($250 per square foot), which equates to an economic (but not affordable) rent for the 56 square metre (600 square foot) unit of $1250 per month. Regardless of legislation permitting secondary suites or incentives to produce them, in many cases there is no longer any financial incentive to for a homeowner to build a new secondary suite and rent it for an affordable rent. This is especially true with detached secondary dwelling units.

While most communities in British Columbia are supportive of secondary suites as a means of providing more affordable housing, and many exist (167,000 units in BC or 34 percent of the rental stock), it may be that the number of suites will not continue to increase in pace with the need in many communities without stronger incentives for the property owner such as reduced development cost charges, improvement grants, and no or low increase in utilities fees. For all communities the first step is to legalize secondary suites in both existing and new dwellings and provide ongoing public education about their benefits and how to bring them into compliance with Building Code requirements.

The process for legalizing secondary suites will be slightly different in each jurisdiction, but the common elements are assessing the existing stock and its condition, the community response to the prospect of making suites legal in certain zones, and the resources required to enforce building code and safety regulations. If there is sufficient support to move forward, the local government must undertake a public process to revise the zoning bylaw. Some local governments impose conditions on suites such as requiring owner occupancy, additional parking, and registration of the suite. Richmond and Calgary have recently undertaken to legalize secondary suites and their documentation provides a good example of the issues and process.[28]

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28 City of Richmond (2006). Minutes of the General Purposes Committee September 18, 2006, Section 8. Secondary Suites Report by John Irving, Manager, Building Approvals. http://www.richmond.ca/cityhall/council/agendas/gp/2006/091806_minutes.htm; CitySpaces Consulting (2007). Calgary Secondary Suites Study.

There has been a significant change in the way secondary suites are counted in the Canadian Census, making it easier for communities to understand the number of secondary suites in their jurisdiction. Up until and including the 2001 Census, occupied secondary suites that were in the same building as the main dwelling were classified as an "apartment in a building that has fewer than five storeys". This meant that secondary suites were being counted as apartments in apartment buildings, and were lost within that larger number. In 2006, the category "apartment or flat in a duplex" was added, and secondary suites within a single detached dwelling are placed in this classification. The label for this category in the Dwellings section of the community profile is "Apartment, duplex", a confusing title because it does not sound like secondary suites.

Statistics Canada staff confirmed that only secondary suites are included in this category.[1] Apartments appear in two categories (Apartment with under 5 storeys and Apartment with 5 or more storeys). Duplexes are counted under "Semi-detached house" and townhouses are in "Row house". Single detached houses, whether they have a secondary suite or not, are counted under "Single-detached house."

 See the Statistics Canada website at:
http://www12.statcan.ca/english/census06/data/profiles/community/Index.cfm?Lang=E

1   Interview with Julie Lavigne, Information Officer, Labour Statistics Division, Statistics Canada, January 29, 2008.

3.1 BC Communities – Large and Small

The table below presents Statistics Canada 2006 Census data about secondary suites for some large BC communities. These municipalities are listed in order of their percentage of secondary suites to total occupied dwellings, and show whether the suite is located in a detached dwelling or apartment. It demonstrates that having more single detached homes does not necessarily mean there will be more suites.

Table 5 Breakdown of Occupied Housing Stock in Large BC Communities

	Occupied Dwellings	% Single Detached	% Townhouse and Other	% Apartment	% Suites	Occupied Suites
Saanich	44,575	50	11	19	20	9,050
Abbotsford	43,765	44	13	25	18	7,890
Victoria	41,705	16	8	67	9	3,965
Kelowna	44,985	51	14	27	8	3,735
Nanaimo	38,800	61	11	20	8	2,925
Prince George	28,205	62	15	17	6	1,750
Kamloops	38,115	60	17	17	6	2,150

Kelowna, Nanaimo, Prince George and Kamloops all have proportionately more single detached homes than Saanich, Abbotsford and Victoria, yet these latter three all have a lower proportion of suites. The proportion of occupied housing stock represented by apartments does not seem to be an indicator of suites. Victoria, with the highest proportion of apartments, has the third highest proportion of suites.

In the Capital Regional District (Greater Victoria), Statistics Canada 2006 census data indicates that 75 percent of the occupied rental dwellings in Saanich and 27 percent in Oak Bay are secondary suites. The table above shows Saanich with the highest

proportion of occupied suites.

The next table presents a similar comparison for some smaller BC communities (population less than 20,000). Once again, there appears to be no correlation between the number of secondary suites in the community and the size of the community, the number of single detached homes, or the number of apartments.

Table 6 Breakdown of Occupied Housing Stock in Small B.C. Communities

	Occupied Dwellings	% Single Detached	% Townhouse and Other	% Apartment	% Suites	Occupied Suites
Whistler	3,910	25	29	21	25	970
Tofino	695	58	18	13	11	75
Nelson	4,160	58	10	22	10	415
Invermere	1,195	73	9	10	8	100
Golden	1,595	59	23	13	5	85
Gibson's	1,865	56	21	19	4	75
Salt Spring Island	4,320	86	9	1	4	155
Squamish	5,625	54	28	15	3	195
Sechelt	3,865	75	13	9	3	125
Ucluelet	640	66	17	14	3	20
Revelstoke	3,100	72	11	15	2	60
Oliver	1,945	69	16	13	2	35
Valemount	455	57	35	7	1	5
Rossland	1,350	87	3	9	1	10
Cranbrook	7,635	52	29	18	1	50
Kimberley	2,825	82	9	8	1	15
Fernie	1,875	63	18	19	0	5
Hornby Island	550	91	9	0	0	0

The overall conclusion from this review of secondary suites as a tool for providing affordable housing is that the creation of secondary suites in a community is a function of the practicality for homeowners of creating the suites and the economics of the rental rate being affordable to those seeking accommodation.

Since incorporation the **Resort Municipality of Whistler** has permitted and encouraged secondary suites in homes (which were mostly ski cabins), and would generate 50 new suites per year. In the 1990's, as home values began to rise and non-residents increasingly purchased and built second homes, suite production dropped off dramatically. The municipality responded by making secondary suites for the local workforce mandatory in half of the single detached lots in every new neighbourhood. Eventually this was discontinued because purchasers were building the suite and then not renting it out, or even worse, building the suite and then turning it into a media room after receiving an occupancy permit. This experience showed that permitting suites does not ensure they will be created.

3.2 Metro Vancouver

Most member municipalities in Metro Vancouver (formerly the Greater Vancouver Regional District) have legalized secondary suites. Some of these municipalities allowed secondary suites decades ago and others, such as Delta, Langley, Lion's Bay, Richmond and White Rock, have only recently permitted them through zoning bylaw amendments. Secondary suites occur in all Metro Vancouver communities to some extent, whether or not they have been legalized.

The number of secondary suites in Metro Vancouver has doubled in the last ten years from 57,000 to 114,000 according to Statistics Canada Census data.[29] This dramatic increase in suites has occurred while the total number of dwellings (all types) has only increased 18 percent, from 693,000 to 817,000. These numbers suggest that the percentage of all housing represented by secondary suites in Metro Vancouver has risen from 8 percent in 1996 to 14 percent in 2006. When taken as a percentage of the 2006 rental stock in the region (285,000 units), secondary suites represent 40 percent of all rental units.

2006 Census data for the following Metro Vancouver communities that did not permit secondary suites until recently shows that prohibition does not prevent their occurrence. In fact, suites represent 8.6 percent of the occupied dwellings in these communities, only 1.6 percent behind the provincial average of 10.2 percent for all communities.

Table 7 Number of Secondary Suites in Select Metro Vancouver Communities

Jurisdiction	All Dwellings	Suites	Suites as a % of All Dwellings
Delta	33,550	4,320	13
Langley	10,575	670	6
Lion's Bay	515	30	6
Richmond	41,205	1,685	4
White Rock	9,515	1,490	16
TOTAL	**95,360**	**8,195**	**8.6**

29 BCStats Community Profiles 2001, 2006 (www.bcstats.gov.bc.ca)

The **City of Burnaby** allows secondary suites in apartments and strata townhouses in the new zoning for the mixed-use development called UniverCity on Burnaby Mountain at Simon Fraser University.[1]   Called "multi-family flex units," the apartments or townhouses are a minimum 74 square metres (796 square feet) with the potential rental at least 24 square metres (258 square feet) and not more than 35 percent of the gross floor area of the dwelling. At least ten percent and not more than 50 percent of units in an apartment or townhouse complex can be flex units. The suite must host: a secondary kitchen area with a compact range or microwave oven and built-in cook top, compact refrigerator, sink, counter, cabinets and venting; have at least one closet and bathroom with a toilet, sink and bathtub or shower; be wired for an independent telephone connection prior to occupancy; and have a separate lockable entrance door providing direct access to the exterior of the dwelling unit. The apartment or townhouse must provide a common washing machine and dryer for the secondary suites. If a secondary suite is available for rent it must be registered with the student housing registry at the University.

1 Burnaby Zoning Bylaw No. 4742 (Consolidated to May 12, 2003) – see Section 3 Definitions and Schedule VIII – Off-Street Parking http://burnaby.fileprosite.com/contentengine/launch.asp?ID=303&Action=bypass; Simon Fraser University Official Community Plan http://www.city.burnaby.bc.ca/cityhall/departments/departments_planning/plnnng_plans/plnnng_plans_smnfrs.html

3.3 Case Study: City of Revelstoke

The City of Revelstoke sits on the shores of the Columbia River between the Selkirk and Monashee mountains ranges and has a population of just over 7,000.[30] There are a total of 3,100 occupied dwellings, 72 percent of which are single detached houses. Less than 2 percent of the housing stock is secondary suites, while 22 percent is apartments and townhouses.

Revelstoke has seen substantial investment in the redevelopment of the ski area at Mt. Mackenzie, which is an indication of the development that will be flowing to the community in the next decade. The Revelstoke Mountain Resort is planned to be a billion dollar, four-season destination that will be completed over 15 years. It will include over 5,000 new housing units (1,500 resort condominiums, 2,000 hotel suites, 850 townhomes and 550 single detached lots), as well as more than 46,500 square metres (500,000 square feet) of commercial and retail space, plus a signature golf course.

Faced with this development and its impact on real estate prices, the shortage of secure rental housing and lack of affordable housing in Revelstoke, the City is looking to increase the options for affordable rental housing. One of the recommendations in the Revelstoke Affordable Housing Study was to implement zoning bylaw amendments to control and legalize secondary suites to increase the affordable rental housing stock.

Revelstoke Council received the report in late 2005, when secondary suites were only permitted in basements. The process of drafting bylaw amendments to allow and encourage secondary suites anywhere within a single detached dwelling did not

30 This case study is based in interviews with Jill Zacharias, Resident of Revelstoke January 19 and February 17, 2008, Jo Ann Peachey, Assistant Planner, City of Revelstoke March 7 2008, Tim Luini, Building Inspector, City of Revelstoke January 22, 2008, and the following documents: Jill Zacharias (2005). Revelstoke Affordable Housing Study. www.cityofrevelstoke.com/pdf/RevAffHousingStrategy-FINAL.pdf; Statistics Canada (2006). Community Profiles. http://www.statcan.ca/menu-en.htm

commence until 2007. There appeared to be strong community support for allowing secondary suites beyond the permitted basement suites, and there was a reasonable turnout (35 residents) for the public forum and information meeting in May of 2007. The written and oral submissions at this meeting favoured moving forward with the bylaw, which received First and Second Reading in August. The City held a public hearing on September 10th, and with community support Council passed Bylaw (1879) in September 2007 allowing suites in the R2 and R2A zones, but not in the R1 zone as most of the properties in this zone are not connected to city sewer infrastructure and would not be able to handle additional sewage disposal on site.

To date, five months later, there have been very few applications for the construction of new suites in existing dwellings. According to Statistics Canada 2006 Census Data for Revelstoke, there were already 60 occupied secondary suites when the City passed the bylaw amendments. This represents less than 2 percent of the housing stock as compared with suites being just over 10 percent of the housing stock in BC.

Seventy two percent of the housing stock in Revelstoke is single detached homes (2,225 homes) and the building department estimates that more than half of these are now permitted to have a secondary suite. With only 60 occupied secondary suites, it is clear that there is a great deal of under-utilized capacity for secondary suites in Revelstoke. The issue for the City becomes whether new homebuyers in Revelstoke will be interested in having a secondary suite, and whether it will make financial sense for them to rent it out as an affordable long term rental, when they can likely achieve higher rent through an illegal vacation rental. If the purchaser is not looking for help with the mortgage and is not interested in having tenants, then the affordable housing potential of secondary suites will not be realized. To ensure the success of this initiative, the City will need to provide incentives to create suites and undertake a widespread communications program.

Hornby Island hosted a conference in April 2007 called Housing Solutions for Small Communities. Secondary accommodation units were identified as an important way to provide immediate housing opportunities. The Hornby Island Community Economic Enhancement Corporation (HICEEC) then followed up by preparing a report entitled Secondary Accommodation Units: A Housing Option for the Gulf Islands and Other Small Communities which provides an excellent review of the benefits, barriers, issues and regulatory context around secondary suites in small communities.

Homeowners, supported by local government and the community

Community consultation, policy change, incentives and approving secondary suites

- Engage community to identify housing needs and understand where secondary suites fits into the range of affordable housing approaches needed, ideally through the development of an affordable housing strategy;
- Amend OCP to support secondary suites in all neighbourhoods where appropriate servicing is in place
- Amend zoning bylaw to allow secondary suites in appropriate zones; in areas where highrise development is allowed, enable multi-family flex units for apartments (see Burnaby example below)
- Amend zoning bylaw to create a density bonus mechanism specifically for creating secondary suites in new development
- Develop a package of incentives to encourage homeowners to create suites e.g. no or small increase in utility charges, no additional parking requirements, enabling external changes to building in existing housing stock to accommodate a suite or bring an existing suite up to Building Code standards
- Approve secondary suites in new buildings; legalize existing suites through zoning and adopt a policy to inspect and enforce Building Code standards only where there are complaints

When

Immediately to support existing suites and enable the construction of suites in new homes

Where

Support existing suites and the creation of new suites in all neighbourhoods

How

Communicate with the public and development community about secondary suites

- Undertake a public education strategy that communicates the number of existing suites and dispels the myths about the impact of secondary suites
- Provide web-based resources on creating secondary suites
- Build staff's capacity to assist homeowners to understand the regulations that apply to suites and to assess their home for the potential to create or upgrade a suite
- Report on best practices and successful projects

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4.0 Density Bonus

Density bonus is a voluntary program in which developers may opt into building to a higher density in return for providing amenities, such as affordable housing or environmental protection. The developer receives an increase in density over what is allowed in the base zoning and the community receives a desired amenity. Local governments usually discuss the parameters of density bonus in the official community plan, for example the desired amenities and increase in density, but the density regulations and conditions that must be met to receive the higher density must be set out in the zoning bylaw. A local government may also require a developer to enter into a housing agreement to maintain the affordability of the housing as a condition of the density bonus.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
Density bonus allows developers to opt into building to a higher density in return for providing amenities, such as affordable housing, to the community. If it is not feasible for the developer to include affordable units on site, she or he may provide them off-site or replace them with a cash-in-lieu contribution to a housing fund.	Local Government Act s. 904 zoning for amenities and affordable housing

Strengths and Weaknesses	
Strengths	**Weaknesses**
• Delivers affordable housing at no loss (or additional land cost) to the developer or additional cost to the municipality • Promotes more efficient use of available land • Works well in higher density neighbourhoods and some rural locales where clustering development is possible	• May not be sufficient to motivate the developer to build affordable units • Is controversial in low to medium density neighbourhoods • Is challenging to properly communicate to developers, buyers and sellers • Can result in small pockets of geographically dispersed units, making management difficult

A density bonus program can encourage developers to include affordable housing and other amenities in development projects without changing the profitability of the project. The general rule is that the cost of the amenity to the developer should be equal to up to half of the cost of acquiring land to build the additional density. In theory the community receives half of the profit from the bonus as compensation for allowing additional density, and the developer receives half of the bonus in payment for building the amenity.

By allowing the density on the site to be increased beyond what the zoning would normally allow, local governments achieve two important objectives. First, higher

density means a more efficient use of the land and may even free up part of the site or an adjacent site as open space. Second, the additional affordable units come with no associated land cost or, viewed another way, if the affordable units can be built and sold at cost, they do not take anything away from the project's bottom line. The developer makes a profit on the market units and does not lose any money on the affordable units.

Density bonus works best in higher density urban centres where several additional floors on a highrise do not change the form and character of a neighbourhood. It is more challenging to increase density in smaller scale neighbourhoods where one floor on a lowrise or four additional townhouse units can have a significant impact on the streetscape. Much of the neighbourhood resistance to density bonus stems from the perception that developers can "buy density" and that density creates unlivable streetscapes. Residents are less likely to resist increased density if they are involved in the discussion about the density bonus program or form and character, and the benefits that accrue in return.

The impact of density depends on a local government's attention to public consultation and community design. Density can enhance neighbourhood character when design guidelines address the preservation of neighbourhood character, like privacy, security, walkability and form and character. The public consultation process to help define neighbourhood character and the parameters of the density bonus program, such as maximum uplift and desired amenities, is key. If the community is given an opportunity to create the solution, rather than having it imposed on them, the desired outcome will more likely be achieved.

At minimum, an official community plan should set out, for each sub-neighbourhood where density bonus will be allowed and after extensive public consultation:

- The maximum uplift over base zoning that the local government will allow (e.g. 40% or 10 units);
- The short list of priority amenities, in order of priority; and
- A clear formula for calculating the value of the uplift in density and the value of the amenities.

How much additional density may be permitted and how many affordable units must be provided will vary from site to site. Density bonuses can be expressed as a percentage of the density allowed under normal zoning regulations, according to a pre-determined formula relating to the floor area ratio (as in the case of Burnaby below), through a negotiation specific to the project, or through a "planning unit" approach as in the case

of the Ucluelet Zoning Bylaw.[31]

This tool, which is used to deliver affordable housing in communities like the City of North Vancouver, Burnaby, Ucluelet, and Golden, is a voluntary form of inclusionary zoning. Instead of local governments requiring developers to include affordable housing, density bonus allows proponents to help deliver affordable housing using a revenue neutral tool.

Developers are sometimes reluctant to opt for a density bonus when the desired amenity is affordable housing, viewing it as local governments transferring the responsibility for creating affordable housing onto the development community. There is also the perception that having affordable units will decrease the marketability of the project. Density bonuses alone may not be sufficient to motivate developers, and additional incentives such as reduced setbacks, street frontages, and parking requirements may be needed.

Finally, BC Housing is beginning to hold covenants on units developed under density bonusing that will remain affordable over time (e.g. through resale or rental price restrictions) if the local government does not wish to perform this function itself.

4.1 CASE STUDY: BURNABY

The City of Burnaby is located between Burrard Inlet and the Fraser River just east of the City of Vancouver.[32] It has a permanent population of 200,000. Of its 78,030 occupied dwellings, 61% of these are owned and 39% rented. The occupied housing stock is 27% single detached homes, 59% duplex, townhouse and apartment, and 14% secondary suites.

Burnaby introduced a Community Benefit Bonus (CBB) Program in 1997 to increase amenities and the supply of affordable housing units in four town centre areas. These areas are all zoned for multi-family and can support density increases without compromising neighbourhood character or livability. Council implemented the CBB Program by adopting a policy and amending the Zoning Bylaw and Town Centre Development Plans. It approved the first CBB in 1998.

The table below outlines the base density and the bonus density available to developers in different zones.

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32   This case study is based on an interview with John Foster, Senior Long Range Planner, City of Burnaby March 6 2008 and on the following documents: BC Housing Policy Branch (2005) Local Government Guide to Market Housing Affordability. Chapter 4. http://www.housing.gov.bc.ca/housing/affordable/chapter4_casestudy5.htm#11; City of Burnaby (2007). Use of Community Benefit Bonus Housing Funds: A Report to the Council (19 9) Development & Zoning Bylaw. Section 2007 http://www.burnaby.ca/cityhall/content/updated/District/bylaw Policies.sht Statistics Canada 2006 Census Profile. Burnaby.

Table 8   Density Bonus Table for Burnaby [33]

District	Current Maximum Density (FAR)*	Community Benefit (FAR)	Maximum Bonused Density (FAR)
RM1	0.6	.01	0.7
RM2	0.9	0.1	1.0
RM3	1.1	0.15	1.25
RM4	1.7	0.3	2.0
RM5	2.2	0.4	2.6

*FAR Floor Area Ratio refers to the amount obtained when the gross floor area of all buildings on a lot (less the exclusions permitted in accordance with section 6.20 of the Zoning Bylaw) is divided by the area of the lot.

 The first phase of the CBB Program provided developers with an opportunity to contribute amenities or affordable housing units, either on or off site, in exchange for increased density. In 2006, in the second phase, Council introduced a cash-in-lieu option for all rezonings generating less than $800,000 in bonused value. In addition to affordable housing, this fund is also used for other amenities such as childcare centres, parks and civic facilities. For each rezoning involving cash-in-lieu, the City assigns 20% of the funds generated into a designated housing sub-account. If it so chooses, Council may increase the housing share of the cash-in-lieu funds above the 20% guideline on a case by case basis. The City takes the lead by suggesting a density bonus to developers.

The value of the community benefit, in terms of a direct amenity or cash-in-lieu, is equivalent to the increase in the value of the land attributable to the increase in density. The City of Burnaby rejected using a detailed pro forma to assess the value of the density bonus. Instead, Council looked at two municipalities using a density bonus policy and decided to adopt Vancouver's formula for calculating the value of the amenity contributions:

Amenity Contribution = bonus floor area (in square feet) × market land value (in $ per buildable square feet)

A key part of the CBB Program is keeping the affordable housing units affordable over time. As a condition of the rezoning, the developer agrees to build the units and turn them over to the City. The City then enters into a lease agreement with a non-profit agency to manage the units. The lease agreement requires rents to be below market and tenant incomes must be below the Core Need Income Thresholds.[34] Through a separate agreement with the City, developers also commit to repaying the value of the density

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33   Assumes underground parking.

34   Canada Mortgage and Housing Corporation produces annual Core Need Income Threshold tables (CNITs) for each community. CNITs set maximum income levels for different sized units in different areas of the province. These incomes represent the most people can earn and remain eligible for a rent subsidy. Below these income levels, it is difficult for people to find uncrowded housing in good repair, without spending more than 30 per cent of their income for rent. http://www.bchousing.org/glossary

bonus or any housing funds received, with accrued interest, if the developer does not complete the project within five years or changes its use to any other than affordable housing.

 To date the CBB Program has contributed nineteen rental units and over $8 million to the amenity fund, $1.75 million specifically for affordable housing. These funds have not been used but Burnaby has mandated its Community Development Committee to provide recommendations for the use of CBB Program cash-in-lieu funds to ensure projects receiving these funds meet a set of criteria designed to maximize the affordable housing benefit received. Any affordable housing created with money from the amenity fund wil have a *Land Title Act* Section 219 covenant registered on title to maintain the affordability of these units.

Through this program Burnaby has demonstrated that a density bonus is a practical means of delivering affordable housing and other amenities to a community with high density, high growth neighbourhoods. While the program has not produced substantial inventory yet, it is well positioned to create affordable units. Burnaby could strengthen the program by partnering with a housing organization to manage the housing portfolio as it expands.

4.2 Case Study: The Town of Golden

The Town of Golden lies at the confluence of the Kicking Horse and Columbia Rivers.[35] It has a permanent population of 3,800 and 1600 occupied private dwellings, 72% owned and 28% rental. Almost 60% of the housing stock is single detached homes, with townhouses, apartments and trailers making up 35%. The remaining 5% is approximately 85 secondary suites.

Golden has a history based in the forest industry and the railroad, but is more recently diversifying into tourism and recreation as its natural surroundings are attracting more visitors and residents.

Recognition of the affordable housing challenge in Golden commenced in early 2000's,

35 This case study is based on an interview with Cleo Corbett, Manager of Development Services, Town of Golden, February 21, 2008 and the following documents: Jon Wilsgard and Karen Cathcart (2003). Golden and Area "A" Community Strategic Directions www.goldenbritishcolumbia.com/library/Community_Strategic_Directions_2003.pdf; Sabina FooFat (2001). Affordable Housing in Golden www.goldenbritishcolumbia.com/library/Affordable_Housing.pdf; StatsCan 2006 Census Profile. Golden; Town of Golden (2006). Official Community Plan Amendment No. 1210; Town of Golden (2007). Bylaw Number 1220, 2007, Amending Bylaw Number 911, 1993; Town of Golden. Staff Report to Council, Sept. 18/07. Rezoning Application for 516-6th St.; Westcoast CED Consulting Ltd. (2001). Community Impact Analysis. Final Report

with the reports <u>Affordable Housing in Golden</u>, <u>Community Impact Analysis</u>, and <u>Golden and Area "A" Community Strategic Directions</u>.[36] These reports recommended the creation of a housing organization and fund, construction of affordable rental units, a land bank, research into public private partnerships for affordable housing, and providing for density bonusing.

Very little happened until 2006 at which time staff made a recommendation to Council to create opportunities for density bonus. Council approved an OCP amendment (Bylaw No. 1210) that supported the use of density bonus. The amendment met no resistance at the public hearing and Council adopted it unanimously. This was followed in 2007 by rezoning Bylaw No. 1220 that provided a density bonus opportunity to the owners of a non-conforming four-plex on a large lot that was to be developed. The report to Council highlighted the consistency with OCP policies and that encouraging infill development was a smart growth principle. The bylaw allowed for a sliding scale on the affordable housing contribution depending on the density chosen as shown in the table below:

36   Sabina FooFat (2001). Affordable Housing in Golden www.goldenbritishcolumbia.com/library/
Affordable_Housing.pdf; Westcoast CED Consulting Ltd. (2001). Community Impact Analysis. Final
Report; Jon Wilsgard and Karen Cathcart (2003). Golden and Area "A" Community Strategic Directions
www.goldenbritishcolumbia.com/library/Community_Strategic_Directions_2003.pdf;

Table 9 Density Bonus Chart for Golden Bylaw No. 1220

Allowable Density	Amenity Contribution
10 units	$40,000
12 units	$30,000 and one affordable housing unit
14 units	$40,000 and 2 affordable housing units

This arrangement provided the property owner with a way to develop some infill housing at a profit while providing an affordable housing amenity to the community. If the owner applies to build the fourteen unit option, two of the fourteen units will be sold or rented at an affordable amount, and will likely have covenants registered on title to keep them affordable in perpetuity. The cash portion of the contribution will go into a housing fund to be used for other initiatives such as setting up a housing organization to manage affordable housing rental and resale. Council adopted these numbers developed using a simple development pro forma that is included in the report. The report also points out that Council will approve the amenity at the time of development, as it is only then that the Town will know the proposed density.

The neighbours did raise concerns at this public hearing about noise, traffic, parking and preserving neighbourhood character, but Council adopted the bylaw on the understanding that staff would address these concerns at development approval.

The Town of Golden has taken the first step in establishing a density bonus process and set the stage for more infill and affordable housing in the community. It is now evaluating its need for a housing organization to manage the affordable housing units and assist in creating new units in the future.

Who

Local government, supported by the private sector and community

What

Community consultation, policy change, negotiating and approving projects, and housing administration

- Engage community to identify housing needs and understand where density bonus fits into the range of affordable housing approaches needed, ideally through the development of an affordable housing strategy; ensure the community helps to establish parameters of the program (e.g. maximum uplift from base density in each specific zone or neighbourhood, clear calculation of the value of the bonus and value of the amenities provided, priority list of amenities); ensure community members understand how density bonus fits into new development and neighbourhood change
- Develop staff's and council's capacity to put forward a consistent and strong position on providing affordable housing units when considering development applications where a developer has the option of using density bonus
- Amend the OCP to support density bonus, establishing the parameters agreed to by the community (in first bullet above)
- Amend the zoning bylaw to allow density bonus in specific zones or neighbourhoods
- Negotiate with applicants under a density bonus program to provide affordable housing units if development is large enough, or cash-in-lieu
- Secure the applicant's commitment to supply the units through covenants and housing agreements
- Create a housing administration mechanisms e.g. an organization within or external to local government that manages resale process and monitors/upholds covenants and other encumbrances on title that restrict resale or rental value to maintain affordability, or release units to existing non profit housing providers

When

Decision to adopt density bonus should be part of the development of an affordable housing strategy; in the interim, Council can establish a density bonus policy to take advantage of applications for development in the short-term; negotiated with each application for rezoning where density bonus provisions apply; evaluate and revise density bonus formula and uplift during OCP review

Where

Support cash-in-lieu contributions from all projects, and the creation of new units for all neighbourhoods and sites where it is appropriate to allow sufficient density to make the construction economics work

How

Communicate with the public and development community about the range of affordable housing solutions needed

- Regularly engage the public in person through community associations, forums and annual reporting (particularly through annual municipal reporting as required under the Community Charter) to discuss how specific tools for providing affordable housing set out in an affordable housing strategy or council policy are meeting housing needs; pay particular attention to creating understanding about housing affordability and density or the perception of density

- Inform the development community about density bonus goals and the approaches that can be used to meet those goals

- Report on best practices and successful projects

Density Bonus

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5.0 Resale Price Restrictions

Resale price restrictions limit the resale price of housing to a price lower than market value. The restrictions can be applied to any housing delivered by local governments, housing organizations or developers as long as the restriction is registered on title before the initial sale. The restrictions can tie the unit sale price to a resale price formula (such as appreciation equal to the Consumer Price Index), or it can be pegged to a percentage below market value at the time of sale where market value is determined by appraisal. The term "perpetually affordable housing" is often synonymous with resale price restrictions, which means that these restrictions will apply in perpetuity. One jurisdiction allows the resale price restriction to lapse after 25 years.[37]

Summary of Strategy and Jurisdiction

Definition	Jurisdiction
Resale price restrictions limit the resale price of a home that has been sold initially at lower than market value. The restriction can be tied to a resale price formula or it can be pegged to a percentage below market value at the time of sale.	Community Charter (municipality) s. 8(1) natural person powers s. 8(2) provide services s.14 intermunicipal service Local Government Act (regional district) s. 176 corporate powers

Strengths and Weaknesses

Strengths	Weaknesses
• Keeps housing affordable for future purchasers • Maintains the community contribution to affordable housing as a community benefit, rather than being transferred to the first purchaser when the unit is resold • Provides a fair process for resale that is not subject to market process	• In some cases (where tied to the Consumer Price Index) does not allow the owner to fully benefit from increased market value • Requires substantial oversight and regulation of the resale process • Is challenging to properly communicate to developers, buyers and sellers

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37 Interview with Emilie Adin, Deputy Planner, City of Langford. February 4, 2008.

Resale price restrictions are the only way to retain an affordable price on non-market ownership housing over time. Units that are created affordably and then sold without price restrictions become unaffordable for the very purchasers they were intended. The first purchaser, having bought affordably, receives a financial lift on resale. Without price restrictions the benefit of an affordable unit is lost to the community and the monetary difference between affordable and market value is transferred to the first owner. The community must find new resources to create another affordable unit.

Housing organizations or local governments register price restricting covenants on the title of units at the time of first sale to qualified buyers. Buyers are selected from the top of a wait list generated from pre-qualified individuals and families who meet the criteria of the program. Qualified buyers usually must be residents (employees or retirees), have an income below a specified level, and live in the home (meaning no rentals). Purchasers agree to sell their homes for a specific amount below market value or to realize appreciation in value tied to a set rate. Some local governments or housing organizations facilitate the purchase and sale of all units in the price restricted pool of housing.

Because price restricted units are primarily created in fast-growth communities where housing prices are unaffordable for medium and low income households, it is very unlikely that a price restricted home will not sell. There is usually a waitlist for these units and sales are rapid. Sellers receive the same amount of market value uplift, or percent increase in value, as vendors of market properties, but they bought at below market and sell at below market. There is also the value of owning one's own home and increasing personal equity in a housing market that would have been unattainable had there not been price restricted units.

The success of these programs relies heavily on good communication about the parameters of the program so that purchasers have a clear understanding of what they are buying into. Most of the problems with the programs involve sellers of price restricted units attempting to realize a larger return on their investment than allowed by the program and price restricting covenant. Local governments and housing organizations must be clear that the objective of the program is to maintain a pool of affordable housing units for both existing and future owners. Once properly informed, purchasers of price restricted units are willing to separate the objectives of owning their home at an affordable price, and investing in a savings plan for their retirement. This is a departure from the norm of the last sixty years in Canada, where home ownership has been an excellent vehicle to build retirement savings.

Resistance to resale price restrictions stems from the perception of purchasers that the legal agreements and covenants will affect the marketability of the unit. Some suggest that the market should dictate the price and market prices, being cyclical, will come down again. There is also the view that purchasers will not buy homes if they cannot realize a full gain when the housing market goes up. These views overlook the fact that, in many communities, the housing market is no longer providing options for low and moderate income households that would rather own than rent.

Resources are required to manage a resale price restriction program. Procedures for determining resident qualifications to be placed on a waitlist and determining who is

eligible to view and make an offer on available properties must be fair. When dealing with something as significant as the purchase of a home, both the program managers and applicants have concerns about the rules and procedures. Waitlist applicants need to meet criteria, qualify financially and be able to respond quickly when a purchase opportunity comes up. The process needs to be laid out clearly for developers, purchasers, vendors, waitlist applicants, financial institutions and those handling the property conveyance. This requires a dedicated organization that is local, competent and accessible.

Only a few jurisdictions in B.C. have implemented resale price restrictions for affordable home ownership. Whistler began restricting resale prices in the mid 1990's, and Burnaby started in 2006 with the Verdant project at Simon Fraser University. The City of Langford adopted an affordable housing policy in 2003 requiring developers of single-detached and multi-family subdivisions to provide ten percent of dwellings at a maximum sale price of $150,000, with a housing agreement attached to control the resale price for 25 years.[38]

38   City of Langford (2003). Minutes of the Inaugural Meeting of Council. Monday, December 1, 2003

UniverCity Overview[1]

When Simon Fraser University opened its doors in 1965, the province envisioned a residential community on Burnaby Mountain. Thirty years later, in 1995, the City of Burnaby and the University entered into an agreement to transfer from the University to the City of Burnaby approximately 332 hectares of land lying outside the Ring Road. This land will be preserved in perpetuity as a conservation area. In return, the University received approvals to build a new community surrounding the campus. This community is now named UniverCity.

The University has two goals in undertaking this initiative. The first is to create a more complete community on the mountain, with a broad range of housing choices, shops, services and amenities benefiting the campus and new residents. The second is to create an Endowment Fund that can support a variety of university purposes and activities over time.

1 From the UniverCity at Simon Fraser website: http://www.univercity.ca/sub01.php?code=CA1119511345946

5.1 Case Study: Verdant, Simon Fraser University, Burnaby

The City of Burnaby is located between Burrard Inlet and the Fraser River directly east of the City of Vancouver.[39] It has a permanent population of 200,000. Of its 78,030 occupied dwellings, 61% of these are owned and 39% rented. Burnaby Mountain is Burnaby's most significant geographic feature, and Simon Fraser University is located on its top.

The Verdant project is one building at UniverCity. It is a four storey, sixty unit, wood frame, stacked townhouse project that was designed to meet green building standards and to be affordable. Its affordability features are described as follows:[40]

To maintain housing affordability for SFU's faculty and staff, Verdant will come with an innovative pricing program that will allow owners to purchase their residence at 20 percent below fair market prices, with three key conditions: The first is that they will be living in the residence, not purchasing to rent out; the second is that on re-sale, the residence must be sold at the same percentage discount below then-current market prices. Yes, purchasers will still be able to benefit from any price appreciation - it just means that they will start at a price below market and then, if they sell, resell at a price that is also below market. The third is that the residence will first be offered to SFU faculty and staff with children before being offered to the general market.

In the future, and for the term of the 99-year ground lease, when purchasers decide to sell their suite, they will first have to have their suite re-appraised to the then-current market conditions. The same 20 percent below-market discount will then still apply. This allows a return on the initial investment just like any other real estate purchase, and the re-sale control agreement ensures that affordability relative to market is maintained for the community and that savings will be passed on to subsequent owners.

The developer of Verdant, Vancity Enterprises in partnership with Simon Fraser

39 This case study is based on an interview with Heather Tremain, reSource Rethinking Building, (Feb. 6/08) and on the following documents: SFU.CA (2008). Community. For rent: Green Suites at Verdant http://www.sfu.ca/sfunews/Stories/sfunews012408011.shtml; StatsCan 2006 Census Profile. Burnaby.
40 From the Verdant@UniverCity website: http://www.verdantliving.com/affordability.html

University Community Trust, sold units at $2300 per square metre ($250 per square foot), being 20% below market value at the time, and under the conditions described above. The SFU Community Trust maintains a list of interested parties (faculty and staff) and administers the resale agreement. In addition, the Trust has purchased 20 of the units for rent to faculty and staff at an average rental rate of $14 per square metre ($1.49 per square foot) per month including heat and hot water. The University is able to attract faculty and staff by placing them into rental housing on arrival. This resolves the new employee's housing for six months to three years.

The Verdant project has produced sixty affordable units with significant green building components and is protecting the affordability with resale price restrictions. The effect of the price restriction is that as long as market value of these units does not climb at a rate that is greater than faculty and staff salary increases, they will remain affordable.

5.2 Case Study: The Whistler Housing Authority

Whistler is a resort community north of Vancouver with a permanent population of 9,250 and a long weekend population estimated at close to 50,000.[41] It has 3,910 occupied private dwellings, 55% owned and 45% rental. There are approximately 970 secondary suites, close to 25% of the occupied dwellings.

Whistler has had affordable housing challenges for its seasonal workforce dating back to the 1980's. As real estate prices climbed steadily through the 1990's the housing market became unaffordable for all housing types, and home ownership became unattainable for most of the residents who had not already purchased.

The municipality created the Whistler Housing Authority (WHA) in 1997 to oversee the development of resident restricted (affordable) housing in Whistler through the use of the Employee Housing Fund, created through the Employee Housing Service Charge Bylaw. The WHA placed resale price restrictions on all resident restricted projects from 1996 onwards. By 2007 there were 475 ownership units, from studios to four bedroom single-detached homes.

The WHA administers the resale and price restrictions, placed on the title of the entire parcel at rezoning and then transferred to the title to each unit at the time of subdivision. The restrictions take the form of two covenants: a Housing Agreement to stipulate occupancy and use, and a Right of First Refusal/Option to Purchase to set the terms and conditions of resale. The Whistler Housing Authority registers these covenants as Standard Charge Terms (SCTs) so they do not have to be redrafted for each project. The SCTs in Form C of the Land Title Act are ready to register on a title when the municipality adopts the rezoning bylaw authorizing the project, and specify the unique terms of the project. Examples of these covenants are available for viewing on the WHA website at www.whistlerhousing.ca in the "Legal" section.

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41 This case study is based on an interview with Marla Zucht, General Manager of the Whistler Housing Authority February 7 2008, information available on the WHA website (www.whistlerhousing.ca) and the following documents:StatsCan 2006 Census Profile. Whistler; Resort Municipality of Whistler (1990). Employee Housing Service Charge Bylaw http://www.whistlerhousing.ca/?NmID=45; StatsCan (2008). Core Consumer Price Index (CCPI). http://www.statcan.ca/english/Subjects/Cpi/

In Whistler's case, these covenants limit occupancy and use to employees or retirees of Whistler, terms that are defined in the covenant. More recent covenants also require owner occupancy and limit resale price. Initially the covenants permitted owners to rent their units to an employee or retiree at a price that did not exceed a prescribed maximum rent. The WHA found rentals difficult to monitor and resulted in more rental activity than anticipated in an owner occupied project. The WHA has revised these covenants to require owners to occupy their units as their primary residence for at least six months of each year.

In the past ten years the WHA has used three approaches to calculating the maximum resale price of a unit. The first two methods were an appreciation formula tied to the prime rate and then to the Greater Vancouver Housing Price Index. In 2006, the WHA decided that the only way to provide perpetual affordability relative to the purchaser's ability to pay was to use a formula attached to the Core Consumer Price Index (CCPI) for Canada. When the WHA started building affordable ownership units in 1997 they sold for approximately 70 percent of market value. Today, the same affordable housing sells at 30 percent of market value. The WHA modifies covenants on earlier projects upon resale at the price specified in the original covenant.

The process for resale relies on a waitlist and open house system. The waitlist (first come, first served, once you qualify) is maintained by the WHA and divided into categories by project and unit type. When a unit comes up for resale, the WHA invites the top 30 households on the waitlist to an open house. The vendor accepts the purchase agreement from the household that is first in order on the list and wishes to purchase the unit at the controlled resale price. The deal completes in about four weeks and the entire process takes less than six weeks. The vendor pays no real estate commission.

The process of producing 475 price restricted homes in Whistler in ten years and administering covenants on their use and resale has been a challenge due to nimbyism,[42] fostering understanding of the model, first time buyer jitters, and unrealistic expectation of higher return on price restricted units. However, most residents agree that the process is worth it. It allows those households to gain equity through home ownership and to live in the community where they work, recreate and socialize.

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42   NIMBY or nimbyism refers to residents' "not in my backyard" sentiment. Nimby reflects a desire of many homeowners to have neighbourhoods remain the same and a worry that new development will decrease property values or bring too many people into a neighbourhood.

Who

Housing organization, supported by local government

What

Creating housing organization or local government agency, amending policy, negotiating and approving projects, and housing administration

- Create a housing administration mechanism e.g. an organization within or external to local government that manages the resale process and monitors/upholds covenants and other encumbrances on title that restrict resale or rental value to maintain affordability, or release units to an existing non-profit housing provider
- Develop staff and council's capacity to put forward a consistent and strong position on providing price restricted affordable housing units when considering development applications
- Amend the OCP to support price restricted housing
- Establish formula for determining price restriction for both rental and ownership units (tied to Consumer Price Index or a percentage below current market value)
- Negotiate with applicants under a density bonus program or on rezoning to provide price restricted affordable housing units
- Secure the applicant's commitment to supply the units and maintain resale price restrictions through covenants and housing agreements
- Establish resident qualification process and waitlist
- Sell or rent the price restricted units

When

Decision to adopt use resale price restrictions should be part of the development of an affordable housing strategy and integral to density bonus and inclusionary zoning. Negotiated with each application for rezoning and where density bonus provisions apply

Where

Apply to the creation of all new units where there is a public contribution

How

Communicate with the public and development community about the place of resale price restriction in providing affordable housing

- Maintain statistics on the increase in housing prices as compared with mean income; monitor the effect of resale price restrictions on the affordable housing supply for residents
- Inform the development community about the place of resale price restrictions as part of density bonus and inclusionary zoning
- Report on best practices and successful projects

RESALE PRICE RESTRICTIONS

REFERENCES

Province of British Columbia and City of Vancouver (2007). Memorandum of Understanding Between the Province and the City of Vancouver. Questions and Answers.

Smart Growth BC (2007). Review of Best Practices in Affordable Housing. www.smartgrowth.bc.ca

UniverCity at Simon Fraser website: http://www.univercity.ca/sub01.php?code=CA1119511345946

Verdant@UniverCity website: http://www.verdantliving.com/affordability.html

CONTACTS

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6.0 Housing Fund

A housing fund is an account set up by a municipality or a regional district to receive funds that will be used to create affordable housing. Funds come from property taxes (e.g. the Capital Regional District Regional Housing Trust Fund and the City of North Vancouver Affordable Housing Reserve Fund) or cash-in-lieu of providing affordable housing units as part of rezoning, which may include a density bonus (e.g. Cities of Langford and Victoria).

Summary of Strategy and Jurisdiction

Definition	Jurisdiction
A Housing Fund is an account set up by a municipality or a regional government to receive funds that are dedicated to the creation of affordable housing. Funding comes from property taxes, cash-in-lieu from developers upon rezoning, and amenity density bonus contributions.	Community Charter (municipality) s. 8(1) natural person powers s. 8(2) provide services s.14 intermunicipal service s.23 agreements with other public authorities Local Government Act (regional district) s. 176 corporate powers

Strengths and Weaknesses

Strengths	Weaknesses
• Provides non-profit housing organizations with secure equity assistance for projects • Creates a pool of funds that can be applied to any affordable housing project • Can aggregate cash-in-lieu from smaller developments to be applied to affordable housing • Relatively straightforward	• May require organization constructing the housing to provide the land component • May result in segregation of affordable and market units • Transfers the development role to a non-profit that may not be well equipped to construct housing • Usually does not provide enough funding to construct the project so additional funding is still required

Housing funds provide a way that all developments, both large and small and with a level playing field, can contribute to the creation of affordable housing. They also create a municipal- or region-wide resource that supports the construction of affordable housing anywhere within a jurisdiction. It is a flexible way to leverage, through secure

funding, opportunities to create affordable units, and to build partnerships with non-profit housing organizations that use the fund to construct the units.

From an administrative perspective it is relatively simple. Developers pay cash for a density bonus or as part of a rezoning, or funding comes from property taxes. The local government, usually through a housing fund committee, receives applications for the funds from non-profit affordable housing providers. The committee screens the applications through a set of criteria designed to meet the fund's goals. The overall goal is to maximize the use of the funds by leveraging them to create the most units.

In most cases local governments allow the funds to be applied to capital expenditures only, and usually in amounts that are less than ten percent of the total cost of the housing (see case studies below). While these funds provide a solid equity contribution to the new development, the project usually requires significant additional funding to deliver the completed project.

Most local governments would prefer to have affordable units integrated into new development or receive land if it not possible to provide units. However, the trend is for developers to pay cash-in-lieu.[43] Cash-in-lieu is easier for developers and does not affect the perceived marketability of the project where affordable units are integrated. Cash-in-lieu is also more practical for the many developments that are too small to require a developer to provide one or two units of affordable housing, and managing a housing stock of a few rental units in buildings spread out across a community can be too costly.

With the focus on cash-in-lieu, local governments must be vigilant that affordable housing is not concentrated in one or two areas within their jurisdiction. The goal is to keep affordable housing integrated throughout an entire community and in each new project. To date, housing funds have not supported this integrated goal.

The challenge for organizations using the housing fund is securing land and suitable sites because most housing funds only pay for construction costs. Housing organizations may also not be as well equipped as a developer to construct the housing, and the opportunity to "piggy back" the affordable component on the market portion of the project is missed.

Communities like **Aspen** and **Mt. Crested Butte, Colorado** have developed clear policies on the delivery of affordable housing amenities.[1] The first priority is to receive actual affordable housing. If that is not feasible, the next priority is land for affordable housing and the third priority, if the first two are not attainable, is cash-in-lieu. The City of Boulder, Colorado set up a cash-in-lieu policy aimed at securing up to half of their affordable housing contributions in cash, and the remainder in land and buildings.[2] In recent years the contributions to their housing fund have almost all been cash-in-lieu. This suggests that the amount required per unit is too low, as it makes financial sense for developers to pay rather than build. The cash-in-lieu formula is currently under review in Boulder.

1 Interview with Julie Ann Woods, Planning Consultant, Mt. Crested Butte, CO, January 30, 2007
2 Interview with Cindy Pieropan, Planner, City of Boulder, Colorado, January 23, 2008

43 This is the case in Whistler, Boulder, Colorado, and Mt. Crested Butte, Colorado.

The **Resort Municipality of Whistler** (RMOW) Council enacted the Employee Housing Service Charge Bylaw in 1989 under jurisdiction granted through the Resort Municipality Act. It requires developers of tourist accommodation or commercial space to either provide employee restricted housing or pay cash-in-lieu to the Employee Housing Reserve Fund. The original intent was to secure built employee housing, however, by 1996 the Housing Fund had grown to $6 million through cash-in-lieu contributions from the bylaw and from developers upon rezoning. The Whistler Housing Authority used the fund to leverage financing to create 144 affordable rental units by 2001. Contributions to the fund in the past five years have fallen dramatically because development in Whistler has slowed. The current balance in the fund is about $1 million.

This power to require developers to make cash contributions for subdivision or building permit approval is unique to Whistler and other resort communities. Section 933(2.1) of the *Local Government Act* allows a resort region to impose development cost charges for the purpose of providing funds to assist the local government to pay the capital cost of providing or expanding employee housing to service, directly or indirectly, the operation of the resort activities.

6.1 Case Study: City of North Vancouver

The City of North Vancouver has a permanent population of 45,000 and 21,350 occupied private dwellings.[44] The occupied housing stock is composed of 16 percent single detached homes, 73 percent duplex, townhouse and apartment, and 11 percent (2,270) secondary suites.

North Vancouver created a Social Housing Reserve Fund in 1989 to aid in the development of social housing for those in core housing need. Initially this fund was meant to supplement the federal and provincial housing programs. As the federal and provincial governments cut back the programs in the early 1990s, this fund alone could not provide enough resources to get some projects off the ground.

In 1995 Council broadened the focus of the fund to include mixed-income developments and changed its name to the Affordable Housing Reserve Fund (AHRF). Council also created the Housing Initiatives Grant Program where the annual interest on the balance in the AHRF provided financial assistance to non-capital affordable housing initiatives.

Between 1989 and 2003, the Housing Reserve Fund received a variety of contributions from general revenues (property tax revenue) ranging from nothing in some years to as much as $210,000 in 1991 and 1992. Since 2003 the annual contribution from general revenues has been $260,000. The request for this amount comes forward with a report from staff each year as part of the financial plan. The City's commitment is that the entire community, business and residential, will contribute to affordable housing solutions, but no formal density bonus or cash-in-lieu process is in place. The fund has received other municipal and provincial grants totaling $124,000 and a one-time contribution from the sale of a road right of way of $480,000. The fund balance in 2008 is $1.6 million.

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44 This case study is based on an interview with Cheryl Kathler, Community Planner, City of North Vancouver February 4 2008 and on the following documents: StatsCan 2006 Census Profile. City of North Vancouver; City of North Vancouver. Housing Initiatives and Policies (2007); Summary of Non-Market Housing Projects (2007); Affordable Housing Reserve Fund – Overview (2006)

Between 1991 and 2006 four projects succeeded with some assistance from the fund, including Margaret Heights, Quay View Apartments, and the North Shore Adult Emergency Shelter. In each case the contribution from the AHRF was less than 10 percent of the total capital cost but was essential to the success of the project. The AHRF has also funded a few other smaller non-capital projects such as economic research on social housing and an affordable housing task force through the Housing Initiatives Grant Program.

In 2007, the City partnered with BC Housing and Marineview Housing Society (MHS) to purchase a 16 unit apartment building (Chesterfield House) for $2.5 million. The City's share ($950,000) came from the AHRF and was matched by BC Housing with the balance coming from MHS, who will operate the building to provide housing and support for persons with mental illness. The partners have recently agreed to fund a proposed 9 unit addition on the property. If the development proposal is successful, Chesterfield House will provide 24 units of supportive housing.

The City of North Vancouver has maintained a housing fund for twenty years and used it to assist several affordable housing projects and initiatives. To date, City staff have administered these funds by proactively creating projects in partnership with other organizations that address social housing needs such as homelessness, transition housing, seniors housing, and supportive special needs housing. The City continues to seek partners to create innovative forms of affordable and rental housing using the Fund. However, without adequate senior government programs and with a limited housing fund, City staff acknowledge they have not been able to meaningfully address the full range of affordable housing needs of City residents, a challenge across Greater Vancouver. The City is looking at alternatives for using the fund to promote the delivery of more non-market housing in a variety of built forms in partnership with the private sector and non-profit housing organizations.

6.2 Case Study: Capital Regional District

The Capital Regional District is located at the southern end of Vancouver Island and has a permanent population of 345,000 and 152,500 occupied private dwellings.[45] The occupied housing stock is 45 percent single detached homes, 42 percent apartments and townhomes and 13 percent (20,405) secondary suites.

The Capital Regional District (CRD) is the regional government for Greater Victoria. The CRD created a wholly owned subsidiary (a corporation whose sole shareholder is the CRD) in 1982 "to build and manage housing for low and moderate income families, seniors and persons with special needs."[46] Called the Capital Region Housing Corporation, it has been building and managing social housing rental projects for the last twenty-five years. The Corporation now owns and operates 43 buildings, with the majority of units available to low income families, seniors and persons with special needs.

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45 This case study is based on interviews with Amy Jaarsma, Manager of Operations, Capital Region Housing Corporation ((Feb. 1/08) and on the following documents: StatsCan 2006 Census Profile. CRD; Capital Region Housing Corporation (2007). Regional Housing Affordability Strategy.
46 Capital Region Housing Corporation webpage: http://www.crd.bc.ca/housing/index.htm.

The Housing Corporation has approximately 300 units that are rented at the low end of market rent, defined by the Canada Mortgage and Housing Corporation as 90 to 95 percent of the average rent for comparable accommodation in the private sector. These units are primarily available for families whose income is too high to qualify for rent geared to low income housing but insufficient to afford to purchase a home in the Greater Victoria area – one of the most expensive in Canada.[47] These market rentals are included in new projects, achieving the goal of integrating market and non-market units in the same project.

In 2005, the CRD Board acted on a recommendation of the Regional Affordability Housing Strategy, developed under the Regional Growth Strategy, and established the Regional Housing Trust Fund (RHTF). The purpose of the RHTF is to provide construction funding assistance to projects for households with low and moderate incomes. Ten of the sixteen municipalities that are members of the CRD are participating in the Housing Trust Fund. Their annual contributions are based on their share of population and their total property assessments. The maximum total annual contribution from the members, if all members and electoral areas participate, is $1 million. In 2007 the amount was $762,000. The intent is to dispense these funds each year rather than building up a large interest earning balance.

The CRD disburses these funds through an application process managed by the RHTF Commission, a group of elected officials representing the participating municipalities. The Commission accepts applications from non-profit housing providers operating in the municipalities that are members of the fund. The Commission has an Advisory Committee that reviews applications (based on the criteria outlined at the beginning of this Chapter) and makes recommendations to the Commission. Once the Commission reviews and approves these recommendations, they submit them to the CRD Board for final approval.

In the past two years, the CRD Board granted a total of $1.4 million to seven projects whose total project costs were $16.6 million. Consistent with the City of North Vancouver's fund in the previous case study, this represents less than ten percent of the total project funding. Typical funding is in the range of $12,000 - $15,000 per unit. The non-profit developers must enter into a twenty-year agreement with the CRD to maintain the affordability of the units. The process of collecting and granting these funds is still evolving and may undergo some revision in the future.

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47 Capital Region Housing Corporation webpage: http://www.crd.bc.ca/housing/index.htm.

It is interesting to note that the City of Victoria, a member of the RHTF, and the City of Langford, not a member of the RHTF, both have their own housing funds to accumulate cash-in-lieu payments from developers.

To date, most of the funds collected through the RHTF have supported social housing projects. However, the CRD Housing Corporation is exploring partnerships with the private sector and non-profit organizations to look at more affordable rental and ownership projects that will not require ongoing cash subsidies but that will use RHTF funds. In 2007, the CRD created the Housing Secretariat, a separate arm that will help facilitate the delivery of alternate forms of affordable non-market housing.

WHO

Local government, supported by housing organizations

WHAT

Identifying funding sources and fund administration

Secure funding sources from general revenue, property taxes, development cost charges (in the case of resort regions), and cash-in-lieu contributions from development that requires rezoning and density bonus

Amend the OCP to support the creation and administration of a housing fund

Establish a clear process for administering the fund, including the commission or committee responsible for the fund, collection of contributions, evaluation of applications for money from the fund, and evaluation of the projects funded and the impact of the fund

Establish criteria for priority projects for the fund

WHEN

Establish the fund once the local government has established cash-in-lieu mechanisms e.g. under a density bonus program; negotiated with each application for rezoning or density bonus provisions apply

WHERE

Support cash-in-lieu contributions from projects where providing units is not feasible (e.g. the project is too small)

HOW

Review project applications and provide funding to qualifying projects; report on best practices and successful projects

HOUSING FUND

REFERENCES

City of North Vancouver website: http://www.cnv.org

City of North Vancouver (2007). Housing Initiatives and Policies. Community Planning Department. http://www.cnv.org//server.aspx?c=3&i=228

City of North Vancouver (2007). Summary of Non-Market Housing Projects. Community Planning Department, http://www.cnv.org/server.aspx?c=3&i=228

City of North Vancouver (2006). Affordable Housing Reserve Fund - Overview. Community Planning Department http://www.cnv.org/server.aspx?c=3&i=405

CRD Regional Housing Trust Fund website: http://www.crd.bc.ca/housing/trustfund/members.htm

Capital Regional District (2007) Regional Housing Affordability Strategy. http://www.crd.bc.ca/growth/rhas/index.htm

CONTACTS

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Cheryl Kathler, Community Planner, City of North Vancouver, BC

Cindy Pieropan, Planner, City of Boulder, CO

Henry Kamphof, CRD Housing Secretariat, Victoria, BC

Julie Ann Woods, Consultant, Mt. Crested Butte, CO

Wendy Zink, Manager, Social Planning and Housing, City of Victoria, BC

7.0 LAND BANKING

Land banking is the acquisition of property for affordable housing by an organization or a local government in anticipation of developing affordable housing units on the site in the future. When used strategically it can be very successful in providing substantial opportunities for affordable housing because the land is acquired at lower than market value (sometimes at no cost) and is then available for development when surrounding property has dramatically increased in value. It assists in integrating affordable housing throughout a neighbourhood and community. Although parcels of land are routinely identified for a variety of land bank purposes, such as road allowances, utility corridors, and parks, the discussion in this chapter focuses on land banking for affordable housing.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
Land banking is the acquisition of property for affordable housing by an organization or a local government when there is no immediate plan to develop housing on the property.	Community Charter (municipality) s. 8(1) natural person powers s. 8(2) provide services s.14 intermunicipal service Local Government Act (regional district) s. 176 corporate powers
Strengths and Weaknesses	
Strengths	**Weaknesses**
• Provides sites for affordable housing projects at little or no cost to non-profit housing providers • Creates a partnership opportunity between the local government and a non-profit housing provider	• Low cost or no cost sites with development potential are scarce • Funds to acquire land for future affordable housing are very limited • Zoning land for affordable housing may be perceived as down zoning

Municipalities can zone land specifically for affordable housing or indicate in OCP maps of future uses that the land will be used for affordable housing if an owner consents.[48] This alerts owners and future owners as to the intended use of the property and secures the land bank use. The existing owner can develop to that potential, or a non-profit

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48   Local Government Act, R.S.B.C. 1996 c. s.904(3).

housing provider or local government can purchase the property to develop affordable housing. This approach is sometimes used as part of a density bonus agreement, but is more challenging if the land is already zoned for some level of residential or commercial development. Regional districts may have more opportunities in this area where land is not zoned residential or commercial, but is envisioned for future development as a mixed-use node.

To create housing that is affordable without significant subsidy, the land component must come at little or no cost. This limits land banking to the purchase or acquisition of land at well below market value. Purchasing land at market values and setting it aside for future affordable housing is not practical for most local governments or housing organizations. It is important to be vigilant in searching out and recognizing workable opportunities.

The opportunity to acquire land for affordable housing can arise from the conversion of Crown land to private land, the development of industrial or brownfield sites, sale of land prior to rezoning where the land value is suppressed by uncertainties in rezoning potential, tax sales, trades, and a variety of other means. In short, local governments should always be looking for opportunities to acquire land for a land bank. Funding can come from density bonus, cash-in-lieu contributions upon rezoning, and housing funds.

The City of Vancouver has a history of using city-owned sites for social housing through leases to non-profit societies that construct and manage the housing. There are currently over 8,700 social housing units on City-owned land.[49] The City also purchases sites that are zoned for multi-unit residential development to achieve specific affordable housing priorities, such as replacing the single room occupancy hotels in the downtown or integrating social housing across the city. While the City's focus has been for housing types that are subsidized by federal or provincial programs, this land banking approach could also be used to make sites available to non-profit housing organizations.

The Town of **Canmore, Alberta**, obtained a land bank for affordable housing as part of a rezoning for Three Sisters Mountain Village.[1] Whistler acquired a substantial land bank as a legacy from the provincial government as part of the Multi-Party Agreement to host the 2010 Olympic and Paralympic Winter Games. Part of this land is the Whistler Athlete's Village, which will become a complete neighbourhood of resident-only housing to support Whistler's workforce. Starting in 2002 the City of Baltimore began creating a land bank of vacant (abandoned) property that could be converted into affordable housing.[2] There are over 30,000 abandoned and vacant properties in Baltimore. In four years, the city acquired more than 6,000 abandoned properties and disposed of 1,000 properties. The disposition and transformation into affordable housing has not been as successful as the acquisition, and the City is now creating a Land Bank Authority with the power to acquire and dispose of land for affordable housing on the City's behalf.

1 City Spaces Consulting (2003). Town of Canmore Affordable and Entry Level Housing Study.
2 Baltimore Housing (2007). A Plan to Create the Baltimore City Land Bank. http://intranet.baltimorehousing.org/BH3/attachments/landbank718352652.pdf

49 Province of British Columbia and City of Vancouver (2007). Memorandum of Understanding Between the Province and the City of Vancouver. Questions and Answers. http://vancouver.ca/projectcivilcity/documents/media_faqs.pdf.

7.1 Case Study: District of Squamish

The District of Squamish is located north of Horseshoe Bay in Howe Sound and has a permanent population of 15,000.[50] It has 5,625 occupied dwellings, with 80% of these owned and 20% rented. Housing prices rose dramatically between 2003 and 2007 in Squamish, leading the province-wide trend from 2005 – 2007. Prior to 2003, Squamish was the affordable community for residents of Whistler who wanted to own rather than rent, and could not afford to get into the expensive real estate market in Whistler.

Squamish has a background in land banking that predates the housing affordability crisis and a significant opportunity presented itself while the District was developing an Affordable Housing Strategy (completed in 2005). In 2004, Squamish acquired sixty acres of land and forty acres of water lot from the Province (formerly BC Rail lands) on a former industrial site on the Squamish waterfront.

Squamish received the site after substantial rehabilitation and removal of contaminants was complete and the site was the subject of an integrated design charrette process in 2004. The charrette team, with community input and support, recommended a broad mix of uses including a significant mix of residential housing, a public marina and marine terminal, a beach front and interpretive centre, an arts and culture node, some light industrial and commercial uses, and a hotel/conference centre.

At the same time, Squamish incorporated the Squamish Oceanfront Development Corporation (SODC) in 2004 with the District of Squamish as its sole shareholder. SODC's mandate for the lands is "to shape the conditions for the development of Squamish's oceanfront land and water assets". The Vision is to "deliver a vibrant, innovative, sustainable, world-class 'work-live-recreate' community showcasing the spirit, cultural heritage and values of the people of Squamish."

The design charrette process and SODC have identified many demands for these lands in the land bank, beyond the provision of affordable housing. There is some concern that the affordable housing aspect may become lost in the larger picture, but this approach may also establish a new model for affordable housing by integrating it into a larger, smart growth context, that will make it a vibrant, walkable, mixed-use neighbourhood and an important part of the community. Affordable housing as part of master planning new communities is an ideal approach to integrating affordable housing.

Unfortunately, the process for developing the lands has not progressed from the planning stage. A call for proposals in 2005 led to one prospective private sector development partner. However, the District declined to approve the development

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50 This case study is based on interviews with Sabina FooFat, Planner, District of Squamish February 7, 2008 and Brent Leigh, Deputy Administrator, District of Squamish February 10, 2008, and the following documents: SODC website: Our Vision, Our Mandate. http://www.squamishoceanfront.com/index. php?q=node/1; Smart Growth on the Ground, Squamish Concept Plan (2005) http://www.sgog.bc.ca/ content.asp?contentID=135; District of Squamish (2005). Terms of Reference 2005 Affordable Housing Task Force. http://www.district.squamish.bc.ca/files/PDF/Select_Committees/Affordable_Housing_ Task__Force.pdf; City Spaces Consulting (2005). Squamish Affordable Housing Strategy. www.district. squamish.bc.ca/files/PDF/0510_Squamish_AH_final.pdf

agreement and the deal fell apart in 2007.

Land banking is included in Squamish's Affordable Housing Strategy, the implementation of which is guided by the Affordable Housing Committee.

7.2 Case Study: Bowen Island Municipality

Bowen Island became a municipality in 1999 and has a current permanent population of about 3,500.[51] There were 1,340 occupied dwellings in the 2006 census data, 81% owned and 19% rented. Like Squamish, and many other municipalities in BC, Bowen has been struggling with an increasing shortage of affordable housing in the last few years.

While housing prices have been steadily increasing (the median house price rose from $340,000 in 2003 to $613,000 in 2006) and are currently too expensive for many residents who would like to purchase a home on Bowen, the problem is exacerbated by the fact that 90% of the occupied dwellings on Bowen are single-detached houses. There are very few townhomes or apartments on Bowen to provide smaller and less expensive options for individuals and families.

The Bowen Island Municipality purchased 39 acres of surplus land on Bowen from the Greater Vancouver Regional District (now Metro Vancouver) in 2005 for $2 million. The lands are intended as a land bank for affordable housing, civic facilities, public grounds, pedestrian connections and ferry marshalling. The lands consist of three separate parcels, two of which are adjacent to the main intersection of Government Road and Miller Road in Snug Cove.

The Bowen Island Municipality formed the Surplus Lands Working Group in 2005 to provide recommendations to Council on the preferred land uses for the lands. This group was challenged to address all the possible uses of these lands, including the provision of affordable housing, while ensuring that the municipality's investment was paid for. Over the past two years the community has been discussing the disposition of these lands through the eight working groups and committees, listed below.

Affordable Housing Working Group	Snug Cove Master Plan Working Group
Advisory Planning Commission	Surplus Lands Working Group
Civic Facilities Working Group	Sustainability Framework Working Group
Ferry Advisory Committee	Transportation Working Group

These groups, each consisting of about ten residents, all report to Council and make

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51   This case study is based on interviews with Jason Smith, Planner, Bowen Island Municipality February 7 2008, Elizabeth Ballantyne, Chair, Affordable Housing Working Group, Bowen Island Municipality February 11 2008, and Sara Baker, Chair, Bowen Community Housing Association February 11 2008 and a review of the following documents: Bowen Community Housing Association Forum (June 2006). www.bowenhousing.org; Statistics Canada 2006 Census Community Profile, Bowen Island; Bowen Island's Sustainable Future: A Strategy for the Use and Disposition of Municipal Surplus Lands in Snug Cove (May 2007). http://www.bimbc.ca/current_topics_snug_cove_action_plan_surplus_lands

WHO

Local government, supported by housing organizations

WHAT

Community consultation, policy change, and identifying, acquiring and disposing of land

- Engage the community to identify land that is appropriate to meet a variety of housing goals, ideally through the development of an affordable housing strategy; ensure community members understand how land banking fits into new development and neighbourhood change
- Amend the OCP to support land banking
- Acquire the land through partnerships with senior government, development approvals (rezoning and density bonus), purchase and donations
- Dispose of the land through a triple bottom line request for proposals process targeted to non profit housing providers; select and approve projects

WHEN

Ongoing as land banking is opportunistic; local government should have identified all potential sites in the community; negotiated with each landowner

WHERE

In locations that are appropriate for housing, particularly for medium to high density; identify sites in all residential neighbourhoods and sites where it is appropriate to allow sufficient density to make the construction economics work

HOW

Communicate with senior governments, the public and the private sector about land banking

- Regularly discuss with the community, senior governments and private sector the local governments land bank program
- Work with housing organizations to generate interest in land banking and its potential
- Report on best practices and successful projects

LAND BANKING

recommendations. Many of these groups host periodic open houses and receive public input as they prepare draft reports to ensure full community participation. This strong community representation gives Council confidence that citizens have had full opportunity to assist Council with its final decision. In its final report to Council in May of 2007, the Surplus Lands Working Group recommended setting aside approximately three acres on the largest parcel for 20-30 units of affordable housing.

In 2006 the community formed the Bowen Community Housing Association (BCHA) to address housing affordability. It raised funds to prepare an Affordable Housing Needs Assessment and an Affordable Housing Strategy in 2007. The Bowen Island Municipality then formed an Affordable Housing Working Group to act as a steering committee for the development of affordable housing policy and project initiation.

The process of land banking on Bowen Island to date demonstrates the complexities of balancing community needs for affordable housing with its cost. The purchase of these lands on Bowen will eventually provide for affordable housing, civic facilities, transportation improvements and a revitalized Snug Cove, and is an excellent example of how a small community can address the affordable housing crisis. Any community process that involves multiple goals and comprehensive planning is both challenging and takes times.

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Elizabeth Ballantyne, Chair, Affordable Housing Working Group, Bowen Island, BC

8.0 HOUSING ORGANIZATION

A housing organization is a non-profit entity dedicated to providing and managing non-market housing stock that is for rent or purchase by qualified individuals and families. It can be the repository for affordable housing units created through density bonus, inclusionary zoning and a housing fund, and also monitor affordable housing needs in a community. A housing organization can serve one or more municipalities, or a region. It can be controlled by a local government, or be an independent non-profit society, cooperative or corporation.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
A housing organization is a non-profit entity that provides and manages non-market housing for qualified individuals and families. It can be controlled by a local government or be independent.	Community Charter (municipality) s. 8(1) natural person powers s. 8(2) provide services s.14 intermunicipal service Local Government Act (regional district) s. 176 corporate powers
Strengths and Weaknesses	
Strengths	**Weaknesses**
• Affordable housing is more likely to be produced and effectively managed when an organization is dedicated to that goal • Provides an identifiable community resource for housing • Ensures an ongoing focus on affordable housing as projects age and needs evolve • Monitors the process of rental and resale to qualified individuals and families	• Needs seed funding to get started • Small communities with low inventories of affordable housing may not be able to support a full time organization • Requires a self-sustaining business plan but often needs initial support from local government general revenue

A housing organization can perform one or more of the following functions:

• Develop and manage rental housing;
• Develop and sell price-restricted housing;
• Facilitate the development of rental or ownership housing by the private sector;
• Research affordable housing needs;

- Establish applications, qualifications, waitlists and processes to manage access to affordable housing opportunities;
- Draft, review and administer covenants and housing agreements for affordable housing; and
- Act as a resource centre for affordable housing information and strategies.

In the absence of a housing organization, these responsibilities fall to the local planning department, the development community or the non-profit social housing sector. Although they all play a role, none of these groups is dedicated to creating and managing affordable housing so a housing portfolio does not receive adequate attention. Housing organizations can also monitor community needs and assist local governments to adapt both policies and management approaches as projects age. As managers, they handle screening, waitlists, and sale or rental to qualified individuals and families.

Creating a housing organization usually requires seed money from external grants and local government, but most local governments mandate housing organizations to develop self-sustaining business models so as not to be an ongoing burden on general revenues from the municipal or regional tax base. It is important that when local governments create a housing organization, they support it with other resources such as land, cash-in-lieu contributions or delivery of built housing. This support gives the housing organization financing, or the ability to leverage financing, to build additional units and carry out its mandate.

While some communities may not have inventories of affordable housing that warrant a dedicated housing organization, smaller jurisdictions can form a housing organization, either at the regional district level or with several municipalities acting together, to build capacity and assist with affordable housing. Several fast-growing small communities have adopted housing organizations on their own. Whistler and Tofino have housing organizations for non-market affordable housing, and Bowen Island, Revelstoke and Invermere are in the process of creating them. In large communities, only the Capital Region Housing Corporation is starting to created non-market rental and affordable home ownership units outside of the social housing realm.

Evidence from the U.S. suggests that communities and regions in high real estate markets that establish a dedicated housing organization are more likely to succeed in creating and maintaining an affordable housing stock.[52] In areas where the market can no longer supply affordable housing, a housing organization is the only entity paying attention to the need for affordable housing for moderate income residents. It has the expertise to identify opportunities and partnerships for constructing new units, to manage rental units, and to monitor sales of price restricted units to ensure that covenants limiting resale prices are adhered to.

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52 Tim Wake (2007). Review of Best Practices in Affordable Housing. http://www.smartgrowth.bc.ca/Portals/0/Downloads/SGBC_Affordable_Housing_Report_2007.pdf

8.1 CASE STUDY: TOFINO HOUSING CORPORATION

Tofino is located in Clayoquot Sound on the west coast of Vancouver Island and adjacent to Pacific Rim National Park[53]. It has a permanent population of 1,655 and 695 occupied private dwellings. The occupied housing stock is comprised of 58 percent single detached homes, 29 percent townhomes and apartments, and 11 percent (75) secondary suites.

Tofino's 2002 Official Community Plan highlighted its affordable housing challenges resulting from growth and development of the emerging tourism economy. The plan identified attainable housing for local residents and seasonal employees as one of the most significant issues facing the community. In 2003, Tofino Council created the Attainable Housing Committee that produced a report entitled *The Attainable Housing Strategy*. The Strategy recommended that council establish a housing authority and housing fund for Tofino.

Council created the Tofino Housing Corporation (THC) in 2005 as a wholly-owned subsidiary of the District of Tofino with its own Board of Directors (5) consisting of elected officials and community stakeholders. In 2006, THC hired an Executive Director and began formulating policies and plans for providing affordable housing. This included preparing the Tofino Housing Corporation Strategic Plan (2006-2008), rental and purchase waitlist guidelines, and draft housing covenants.

A significant component in the future work of the THC is a plan to transfer a 39 acre parcel owned by the District to the Corporation to be developed for affordable housing. The parcel is adjacent to downtown Tofino and well-situated to create a walkable, livable, mixed density neighbourhood. The THC has prepared a Local Area Plan for the parcel, recognizing the ecologically sensitive areas on the site and proposing a phased development of some affordable and market single detached homes, and more affordable townhouse and apartment units.

While the THC has a significant project on the books, it has no financing to initiate development. To date the THC has used grants for operating costs but is unable to develop its parcel until it sells several lots at market rates to pay for servicing and leverage funding to build the affordable housing units. The Attainable Housing Strategy recommended that Council establish a Tofino Housing Fund to collect cash-in-lieu contributions from market developments for affordable housing from which development costs could be drawn. Tofino Council did adopt Bylaw No. 1007, 2005 to create an amenities reserve fund, but attainable housing is only one of thirty possible uses for the fund. Funds from this reserve have helped get THC started as an organization, but the reserve is not sufficient to initiate servicing and development of this large parcel.

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53 This case study is based on interviews with Braden Smith, Director of Development Services, District of Tofino, February 6, 2008 and on the following documents: StatsCan 2006 Census Profile. Tofino; Neilson-Welch Consulting (2004). The Attainable Housing Strategy, prepared for the District of Tofino Attainable Housing Committee; Tim Pringle and Sara Muir Owen (2005). Attainable Housing Options: Implementing Successful Transition Planning. Communities in Transition. Real Estate Foundation of BC; Tofino Housing Corporation (2006). Tofino Housing Corporation Strategic Plan 2006-2008.

Whistler's challenge with affordable housing, or 'employee housing' as it was originally called, began in the 1980's. The community created the Whistler Valley Housing Society in 1983. This non-profit society with a volunteer Board of Directors (and no full time staff) worked on policy and guidelines, and managed to, with some help from the Resort Municipality of Whistler (RMOW) Planning Department, build a few projects in the mid-1980s.

By 1996, a housing fund created by the RMOW and grown with cash-in-lieu contributions from developers, stood at $6 million, yet the fund had built only a few affordable units. The Whistler Council commissioned an affordable housing strategy that recommended forming a professional housing organization. In 1997 the municipality created the Whistler Housing Authority (WHA). The WHA leveraged the $6 million housing fund to borrow $13 million and built 144 units of restricted rental housing.

The WHA now owns 160 rental units, and will acquire another 52 after the 2010 Olympics from the Athletes Village. By 2007 the total inventory of resident restricted housing (rental and ownership) had grown to 1400 units in Whistler, housing 4000 local employees and their families. This represents about one third of the workforce.

The WHA has an annual budget of about $2 million from gross rental income, and spends close to $300,000 on administration and property management. The WHA administers restrictive covenants on the entire stock of 1400 units of restricted housing in Whistler. All these units have been delivered through commitments made during rezoning and development. The WHA maintains a waitlist of qualified residents for units that become available for rent or purchase.[1]

1 The WHA qualification and application process can be viewed at: www.whistlerhousing.ca

8.2 Case Study: Capital Region Housing Corporation

The Capital Regional District is located at the southern end of Vancouver Island and has a permanent population of 345,000 and 152,500 occupied private dwellings[54]. The occupied housing stock is composed of 45 percent single detached homes, 42 percent apartments and townhomes and 13 percent (20,405) secondary suites.

The CRD created the Capital Region Housing Corporation (CRHC) in December, 1982 to "build and manage housing for low and moderate income families, seniors and persons with special needs."

The CRHC's first focus was family housing and, with the assistance of a federal government operating subsidy in the 1980's, it built 15 mixed-income rental projects for families . While senior government funding ceased by the early 1990's, the CRHC continued to build affordable housing, including special needs housing and seniors housing. More recently the CRHC has developed some units for the low end of market rent that are primarily available for families whose income is too high to qualify for rent geared to income housing but insufficient to purchase a home in Greater Victoria area, one of the most expensive housing markets in Canada.

By the end of 2007, CRHC owned and operated 42 buildings containing over 1,200 units.

54 This case study is based on interviews with Amy Jaarsma, Manager of Operations, Capital Region Housing Corporation February 1 2008 and on the following documents: StatsCan 2006 Census Profile. CRD; Capital Region Housing Corporation, Audited Financial Statements, December 31, 2006.

Non profit sector, supported by local government

What

Establish organization, secure seed funding, create business plan, acquire units and manage projects

- Create the organization as an independent non-profit society or as a corporation or society owned/controlled by a local government; decide on corporate structure; file incorporating documents; establish board of directors
- Secure council's commitment to provide seed funding to the organization through a housing fund, general revenue, or cash-in-lieu contributions for a period of time
- Hire staff and approve business plan
- Amend OCP to support transferring the ownership and management of rental units, resale of price restricted ownership units, and monitoring of price restriction covenants to the housing organization
- Draft resale price restriction covenants and housing agreements; establish resident qualification process; establish waitlist for housing
- Obtain housing units from developers via density bonus and upon rezoning
- Manage rental housing, covenants and price restricted housing sales

When

Decision to create a housing organization should follow a local government enabling the creation of units through density bonus or inclusionary zoning, and committing to seek funding

Where

A housing organization can be specific to one local government, or can serve a region where economies of scale make it more efficient

How

Communicate with the public and development community about the value of having a dedicated organization to manage the affordable housing stock

- Regularly engage the public and development industry about the organization, its role in the community and its place in providing affordable housing; provide updates on number of units and number of residents housed

- Report on best practices and successful projects

Housing Organization

About 75 percent of this housing is for families with the balance being for persons with special needs and seniors. The total operating budget for the organization is $12 million with the majority of revenues from tenant rents. The CRHC receives some subsidies from the Canada Mortgage and Housing Corporation and the BC Housing Management Corporation. The CRHC spends approximately $900,000 per year on administration and property management.

The role of the CRHC is broadening as it seeks more partnerships with non-profit housing providers and the private sector on innovative projects like the Victoria Women's Transition House and Dockside Green. They are also looking to redevelop a school site in Saanich that could create 50 units of affordable housing. In 2007 the CRD created the Housing Secretariat to work with the 13 member municipalities on policies and protocols to integrate affordable rental housing into new projects.

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9.0 Partnerships for Affordable Housing

A for-profit (private) sector organization and a government agency or a non-profit association can form a partnership for affordable housing to provide a service or community amenity. The objective of the partnership is to combine the private sector acumen and expertise with the public sector resources and accountability to construct affordable housing. These partnerships can arise when a non-profit or government agency engages a private sector organization to design and build a project, or when a private sector organization commits to providing affordable housing as part of a rezoning or amenity density bonus and receives assistance from the local government to do that. The private sector partner often also obtains assistance with the approval process, in the form of staff time and public support, by working with a public sector partner. The key ingredient is that the private sector partner makes adequate profit off the market segment of the project and can cover costs and a reduced profit on the non-market segment such that they are willing to construct the non-market portion.

Summary of Strategy and Jurisdiction	
Definition	**Jurisdiction**
A partnership for affordable housing occurs when the for-profit (private) sector organization works with a government agency or a non-profit association provide a service or community amenity, such as affordable housing.	Community Charter (municipality) s. 8(1) natural person powers s. 8(2) provide services s. 21 partnering agreements s. 23 agreements with other public authorities Local Government Act (regional district) s. 176 corporate powers
Strengths and Weaknesses	
Strengths	**Weaknesses**
• Delivers affordable projects in the absence of substantial federal or provincial funding • Meets common or complementary goals and community needs • Generates housing opportunities that the market sector cannot deliver • Enhances capacity for financing and fundraising	• Can be time consuming • Requires a clear understanding of goals and communication between partners • Requires a skilled non-profit organization to receive and manage the housing

These types of partnerships began developing as a vehicle for delivering housing in Canada during the 1990's when senior government funding for affordable housing ceased.[55] In the context of affordable housing, a partnership involves a contribution

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55 CMHC (1998). Research Report. The Role of Public Private Partnership in Producing Affordable

from the public sector in the form of land or zoning, with the private sector responsible for servicing and building. In some cases a public sector grant helps keep the price affordable, but this is more common in social housing.

The most significant challenge in the delivery of non-market housing is the reduction or absence of the typical risk and reward model that drives the delivery of market housing. Non-profit organizations need the development expertise of the private sector to meet project budgets, but do not have the capital and profit margin usually required to engage companies. The solution comes in the form of a partnership, especially in an integrated project involving market and non-market housing, where the private partner's market position is enhanced by the partnership such that it does not require profit from the non-market segment. The enhancement to the market portion of the project usually comes in the form of density bonus or rezoning to a higher density. The private sector partner is willing to integrate and construct the non-market housing component because the profit from the market component makes the project worthwhile.

When well structured, partnerships for affordable housing help both public and private sector organizations to achieve complementary or common goals. They increase capacity for financing and fundraising as financial institutions and donors are more comfortable with non-market projects that involve an experienced private sector organization. These partnerships minimize financial risk by using the development experience of the company, and help local governments and non-profit housing organizations respond to consumer and community need.[56] The inclusion of a private sector partner brings strength and expertise to a collaboration of public sector agencies, and increases project viability and resilience.

Establishing a partnership relationship can be time consuming. The initial proponent or facilitator needs to identify potential partners (private and public) and clearly determine the objectives of the project. The proponent should translate those objectives into a business plan that specifies a housing concept, financial requirements, available local resources, and the roles of potential partners. Partners must define management structure, activities, resources, the relationships among the various partners, and the time frame involved.

The management structure includes consideration of who does what, who is responsible for making what types of decisions, and who reports to whom. Activities and resources should be based on the business plan that is accompanied by an understanding of expected outcomes. Defining relationships includes specifying the contributions of each partner and the allocation of financial risk and legal liability involved in carrying out the partnership project. All this takes time and resources that are often limited, and is often spelled out in a memorandum of understanding or, where local government is a partner (e.g. in donating some land) and approvals are needed, in a master development agreement. The partners' communication must be consistent and clear.

Before entering into a partnership, the proponent must work with the community to discuss the vision for the site and the proposed development model. Failure to develop a

Housing.https://www.cmhc-schl.gc.ca:50104/b2c/b2c/init.do?language=en
56   CMHC (2001). Municipal Affordable Housing Strategies: A Guidebook for Municipal Officials and Other Housing Stakeholders. Chapter 7. Page 68.

strong coordinated approach to public consultation can mean the project fails to receive local government approvals at the rezoning or implementation stage.

9.1 CASE STUDY: DOCKSIDE GREEN, VICTORIA

The City of Victoria has a population of 78,000 and is the city centre for the Capital Regional District (CRD) of 345,000 residents.[57] Victoria has 41,700 occupied dwellings, of which 40 percent are owned and 60 percent rented. Victoria's housing stock includes 16 percent single detached homes, 74 percent townhouses and apartments, and 10 percent (4,000) secondary suites.

In the 1980's, the City acquired a contaminated 6.5 hectare (15 acre) industrial site adjacent to downtown across the inner harbour, located between the Johnson Street and Bay Street bridges. After years of inactivity and several failed attempts to sell the site, early in the 2000's the City embarked on an inclusive community engagement process to establish a vision for the site prior to its development and rezoning. City staff met with community associations, held public meetings, sought opinion on height and density options, and explored the range of community benefits the site could provide.

In 2004 the City released a request for proposals (RFP) to redevelop the site based on a sustainability mandate. The RFP contained an evaluation matrix that used triple bottom line accounting to give equal weight to environmental, social and economic criteria. The City set a minimum price, but more importantly sought a developer that would incorporate the City's strategic priorities of environmental sustainability, social and cultural development and economic vitality into the project. The City also required proponents to commit to construction design that would lead to, at minimum, a Leadership in Energy and Environmental Design (LEED) silver rating.

At the same time, the City developed a transparent proposal review process managed by a steering committee that included a non-voting community association representative and a fairness auditor, a well-respected local government lawyer. Two bids made it to the final stage of the process, and the City required both teams to present their projects at a public meeting at City Hall where the public could ask questions and comment. In January of 2005, the City unanimously awarded the project to Dockside Green, a partnership of the Windmill Development Group, a developer, and Vancity Enterprises, the real estate development arm of Vancity Credit Union.

The City and Dockside Green entered into a Master Development Agreement (MDA) that included the partners' intention to work together to develop up to 31 percent of the residential units on City Lands as affordable housing. The developer's initial

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57 This case study is based on interviews with Detlef Beck, Vancity Enterprises February 22 2008, Jack Basey, Former Director of Planning and Development and City Solicitor, City of Victoria February 8 2008, Wendy Zink, Manager, Social Planning and Housing, City of Victoria February 8 2008, and on the following documents: StatsCan 2006 Census Profile. Victoria; A Healing Shade of Green, Elemente Magazine, December 2007; Dockside Green Master Development Agreement http://www.victoria.ca/cityhall/currentprojects_dockside.shtml

commitment of providing 31 percent affordable housing has decreased to 13 percent after analyzing the cost of providing affordable housing in the context of rapidly rising construction costs. However, the developer set aside $3 million to assist in the delivery of the affordable housing.

Affordable housing in this context meant non-market units or market affordable units with a focus on families with incomes between $30,000 and $60,000. The partners developed a Housing Affordability Strategy that called for the construction of 26 affordable home ownership units and 40-45 affordable rental units, in a project of 1000 residential units.

To date Dockside Green has sold the 26 ownership units at 25 percent below market value. These units are secured with a resale price restriction and a housing agreement registered on title to limit future resale to the same 25 percent below appraised market value. BC Housing is registered on title as the organization responsible for enforcing the resale price restrictions. The developers are still searching for additional funding to make the rental project, now a stand alone building in the project, economically viable.

Build out is expected to take five to seven years and, once completed, Dockside Green will incorporate 121,000 square metres (1.3 million square feet) of residential, light industrial, retail and commercial space. Over 2,500 people will call a variety of sustainable accommodations, ranging from apartment style condominiums to townhouse and live/work units, home. The development embraces innovative design solutions like an on site sewage treatment plant and a centralized heating system using biomass gasification. Dockside Green is the largest development of city land in Victoria's history, yet there has been virtually no public opposition to it. City staff attributes its acceptance to an up-front inclusive public process by both the City and developer, and to a well-constructed partnership.

9.2 CASE STUDY: BEAVER FLATS APARTMENTS, WHISTLER

Whistler is a resort community north of Vancouver with a permanent population of 9,250 and a long weekend population estimated at close to 50,000.[58] It has 3,910 occupied private dwellings, 55 percent owned and 45 percent rental. There are approximately 970 secondary suites, close to 25 percent of the occupied dwellings.

The Resort Municipality of Whistler created the Whistler Housing Authority (WHA) in 1997 to oversee the development of resident restricted (affordable) housing in Whistler. The WHA obtains funding from an Employee Housing Fund, which the municipality created under the Employee Housing Service Charge Bylaw.[59]

In 1998 the WHA purchased the Beaver Flats site in the Creekside neighbourhood. Beaver Flats is a three hectare (8 acre) parcel with a creek separating it into two parcels,

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58 This case study is based on interviews with Marla Zucht, General Manager, Whistler Housing Authority February 7 and 26 2008, Steve Bayly, former Director and General Manager, Whistler Housing Authority February 26 2008), information available on the WHA website (www.whistlerhousing.ca) and the following documents: StatsCan 2006 Census Profile. Whistler; Whistler Housing Authority development files.

59 See the bylaw at http://www.whistlerhousing.ca/pdf/references/bylaw.pdf

each with about one developable hectare (2.5 acres). The WHA paid $800,000 at a time when a 0.1 hectare lot (one-third of an acre) was $500,000. The problems with the site were reflected in the low price, which included some soil contamination, the need to relocate the creek and enhance flood protection, the cost of constructing two bridges, and the public controversy over developing this parcel. The residents of the neighbourhood were opposed to rezoning the parcel for development, citing loss of property values, parking problems, general nuisance and a desire to see the lot remain undeveloped as some of the reasons. Intrawest Corporation, the operator of Whistler and Blackcomb resorts, also had to consent to the realignment of Whistler Creek through the site.

The WHA chose to enter into a partnership with an architect and general contractor to construct the project instead of contracting for a design-build project because the partnership would be less expensive for the WHA and the WHA retained better control of the finished product that it would own and manage. It is worth noting that if the WHA had released a call for proposals for a developer to design and build the project with a modest profit of 10 percent (assuming no risk because the WHA took responsibility for sale and rental), the project would have been substantially more expensive.

Bringing the site and rezoning to the deal, the WHA Board of Directors selected and approved the design by Walter Francl Architect. Glacier Creek Construction tendered the sub-trades in partnership with WHA staff. The WHA used funds from the Employee Service Charge Housing Fund to leverage further funding to construct 12 duplex units held as price-restricted ownership, and a three storey wood frame 57 unit rental apartment building with underground parking.

In addition to the site restrictions and public opposition, the project was challenging because it included innovative sustainability features such as geothermal heating, a technologically advanced building envelope, and heat recovery ventilation. The architect designed the scale and placement of the buildings to complement the adjacent residential neighbourhood, with the duplexes next to older single detached and semi-detached homes and the higher density apartment across the creek and adjacent to the Highway 99.

The Beaver Flats project cost $11 million, of which the WHA recovered $3 million from the sale of the 12 duplex units at $1668 per square metre ($155 per square foot), the at-cost price. The $8 million cost of the apartment building included underground parking, geothermal heating system, architectural and project management fees ($425,000) and soft costs at about $1 million. In 2000 the price of this development was expensive but in retrospect, given cost escalations since then, it now appears to be economical.

The WHA's Beaver Flats apartments is an example of an employee housing project that used smart growth principles, green building technology and energy efficient design to provide a more affordable housing opportunity for residents in Whistler. This public private partnership created an award winning project (3 Canadian Home Builders B.C. Georgie Awards and a finalist for a Canada Mortgage and Housing award) of affordable ownership and rental.[60]

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60 Silver Georgie Award for Excellence in Public Private Partnerships in Creating Affordable Housing, Silver Georgie Award for Excellence by Local Government in Cooperation/Leadership with Industry,

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A Healing Shade of Green, Elemente Magazine, December 2007[http://docksidegreen.com/bottom/media-room/in-the-news.html]

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Ron Hansen, Senior Manager, Real Estate Services, British Columbia Housing Management Commission

Steve Bayly, Former Director and General Manager, Whistler Housing Authority, Whistler, BC

Wendy Zink, Manager, Social Planning and Housing, City of Victoria, BC

Silver Georgie Award for Best Technical Innovation, Finalist for CMHC's Affordable Housing Innovation Award in 2002

WHO

Public, non profit and private sectors

WHAT

Community consultation, developing relationships, defining roles and responsibilities

- Engage the community to identify housing needs and sites where partnerships may be appropriate, ideally through the development of an affordable housing strategy
- Develop relationships with non-profit housing providers and the development community to identify opportunities
- When an opportunity presents itself, identify the project partnership team, including for the sale and management of affordable units; build relationships within the team; define role and responsibilities for each partner;
- Develop project concept; seek approval for concept and direction from council

WHEN

Partnerships for affordable housing are opportunistic and depend upon creating a culture of collaboration within a local government; particularly during a market upswing, partnership opportunities can present at anytime

WHERE

Partnerships depend more on creating relationships than the project type; may be more appropriate for larger scale projects, particularly redevelopment; potential for all neighbourhoods where residential is allowed

HOW

Communicate with the public and development community about the potential for partnerships

- Inform the development community about partnership opportunities and how local government and non profit housing organization involvement can work

- Report on best practices and successful projects

PARTNERSHIPS FOR AFFORDABLE HOUSING

10.0 Conclusion

This Toolkit describes eight of the most promising strategies for local government to use to provide affordable housing in BC. It documents the "how to's" of implementation, and presents case studies from a diversity of local governments that have begun to address the affordability of housing in their communities (see Table 10 for a summary of all of the tools, key actors, actions, strengths, and weaknesses). This is a good start, however, the statistics set out in Chapter 1 indicate that local governments must take a stronger leadership role and use more of these tools to keep up with the rate of change and housing prices in most BC communities. This concluding chapter provides recommendations for local governments seeking to intensify the delivery of affordable housing over the long term.

Begin immediately. Housing prices are continuing to rise in most communities in BC faster than incomes are rising. It is imperative, particularly in resort communities and other fast-growing regions, that local government implement a range of housing affordability strategies now because it takes a significant amount of new development and time to work with homeowners to increase the affordable housing stock to a meaningful level. Plan to adopt an affordable housing strategy within a year but take some simple steps immediately, such as legalize secondary suites and allow density bonus in certain areas (see Appendix A for an outline of the contents of a comprehensive affordable housing strategy).

Provide leadership. Beyond establishing policies and enabling processes, councils must show strong and consistent leadership for each application for development. Council members will be required to address resident and development community concerns on an ongoing basis, but addressing this need will be easier where creating affordable housing is already accepted as part of a long term community vision created with all sectors.

Engage the community. Most of the strategies discussed in this Toolkit depend on the appropriateness of sites for more intensive development or a change in land use that can have some impact on a neighbourhood (e.g. secondary suites in rural areas). Residents will better support neighbourhood level changes if they understand the context of some of that change, that it is addressing the housing affordability crisis. Acceptance of additional housing or density can be achieved when it is part of a larger conversation about protecting environmentally sensitive areas, creating more compact complete communities, and addressing the affordability of housing.

Create a dedicated housing organization or staff. Successful programs need a champion whose purpose is to attend to providing affordable housing, identify and facilitate opportunities, and manage affordable housing units. A housing organization or local government staff with an affordable housing portfolio can stay on top of market opportunities and be the stewards of the long-term affordable housing strategy. They can ensure that each project in some way meets the community's housing goals.

Adopt a range of strategies to make an affordable housing program. Many communities are using a few of the tools outlined in this document. However, very few are taking a comprehensive approach that will capture all opportunities for creating units. Many of the strategies in this Toolkit complement each other. A housing organization manages the covenants and resale process for units secured through density bonus and inclusionary zoning using a partnership model. By enabling a variety of tools local governments can maintain the flexibility needed to respond to market and site-specific conditions.

Integrate the creation of affordable housing into bylaws. A local government's bylaws are not only its legal foundation but also its public platform. Strong regional growth strategy and OCP policies can let new residents and the development community know what will be expected when applications for development come before staff and council. They can set clear direction that will enable all parties to see opportunities and better realize long term affordable housing goals.

Table 10: Summary of Affordable Housing Tools

Tool	Key Actor	Supporting Actor	Key Milestones	Strengths	Weaknesses
Inclusionary Zoning	Local Government	Community Private Sector	Amending the OCP Amending the Zoning Bylaw for each project Approving projects Communicating the success	Secures commitment to build affordable housing at time of rezoning, before development begins Integrates affordable housing across new projects and the community Relatively straightforward Ties the impact of new development to affordability of the community as a whole	Requires new development Perception that it may drive desired development to other communities Local governments often allow a buy-out of affordable units resulting in segregation of affordable and market units May increase the cost of market units Units not always built
Secondary Suites	Private Sector (homeowners)	Local Government Community	Consulting the community Amending the OCP Amending the Zoning Bylaw Creating awareness of regulations Communicating the success	Most inexpensive way to increase stock of affordable rental housing Provides mortgage helper for first time home buyers Creates units without adding to service infrastructure Maintains neighbourhood character Integrates affordable housing throughout all neighbourhoods	May increase need for parking Tendency in smaller and rural communities to permit suites on larger lots further from the core of the community rather than closer to downtown Concern that renters will change neighbourhood character

Tool	Actor	Activities	Advantages	Disadvantages
Density Bonus	Local Government; Private Sector; Community	Consulting the community; Amending the OCP; Amending the Zoning Bylaw; Working with project proponent; Approving projects; Communicating the success; Revising density bonus formula and uplift upon OCP review	Delivers affordable housing at no loss (or additional land cost) to the developer or additional cost to the municipality; Promotes more efficient use of available land; Works well in higher density neighbourhoods and some rural locales where clustering development is possible	May not be sufficient to motivate the developer to build affordable units; Is controversial in low to medium density neighbourhoods; Is challenging to properly communicate to developers, buyers and sellers; Can result in small pockets of geographically dispersed units, making management difficult
Resale Price Restrictions	Housing Organization; Local Government	Establishing a housing organization to manage sales and rentals; Working with project proponents; Approving projects; Engaging the community; Establishing resident qualification process; Registering covenants on title; Selling the units	Keeps housing affordable for future purchasers; Maintains the community contribution to affordable housing as a community benefit, rather than being transferred to the first purchaser when the unit is resold; Provides a fair process for resale that is not subject to market process	In some cases does not allow the owner to fully benefit from increased market value; Requires substantial oversight and regulation of the resale process; Is challenging to properly communicate to developers, buyers and sellers; Interference with market forces; Concern that low return on equity will reduce uptake

Tool	Key Actor	Supporting Actor	Key Milestones	Strengths	Weaknesses
Housing Fund	Local Governments	Housing Organization	Identifying funding Amending the OCP Establishing a clear process for managing the fund Obtaining funds from local governments or projects Reviewing applications and funding projects Showcase funded projects Communicating the success	Provides non-profit organizations with secure equity assistance for projects Creates a pool of funds that can be applied to any project Can aggregate cash-in-lieu from smaller developments to be applied to affordable housing Relatively straightforward	May require organization constructing the housing to provide the land component May result in segregation of affordable and market units Transfers the development role to a non-profit that may not be well equipped to construct housing Usually does not provide enough funding to construct the project so additional funding is still required
Land Banking	Local Government	Housing Organization	Establishing process for identifying, acquiring and disposing of sites Engaging the community Acquiring sites Approving projects Disposing of the land	Provides sites for affordable housing projects at little or no cost to non-profit housing providers Creates a partnership opportunity between the local government and a non-profit housing provider	Low cost or no cost sites with development potential are scarce Funds to acquire land for future affordable housing are very limited Zoning land for affordable housing may be perceived as down zoning

	Sectors	Roles	Benefits	Challenges
Housing Organization	Non-Profit Sector Local Government	Incorporating the organization, with community participation Selecting board and funding models Hiring professional staff Establishing needs, priorities and opportunities Creating partnerships Delivering housing	Affordable housing is more likely to be produced and effectively managed when an organization is dedicated to that goal Provides an identifiable community resource for housing Ensures an ongoing focus on affordable housing as projects age and needs evolve Monitors the process of rental and resale to qualified individuals and families	Needs seed funding to get started Small communities with low inventories of affordable housing may not be able to support a full time organization Requires a self-sustaining business plan but often needs initial support from local government general revenue
Partnerships	Public Sector Private Sector Non-Profit Sector	Developing partnership relationship Defining roles and responsibilities Creating project business plan Engaging the community	Delivers affordable projects in the absence of substantial federal or provincial funding Meets common or complementary goals and community needs Generates housing opportunities that the market sector cannot deliver Enhances capacity for financing and fundraising	Can be time consuming Requires a clear understanding of goals and communication between partners Requires a skilled non-profit organization to receive and manage the housing

Appendix A: Table of Contents for an Affordable Housing Strategy[61]

Executive Summary

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61 This Table of Contents was adapted from the following affordable housing strategies:
City of Coquitlam (2007) http://www.coquitlam.ca/NR/rdonlyres/4940C42B-D5D3-44D4-A1F7-C2B1B7BB408D/66244/AffordableHousingStrategyforweb.pdf; City of Revelstoke (2006) http://www.cityofrevelstoke.com/pdf/RevAffHousingStrategy-FINAL.pdf, District of Squamish (2005) http://www.district.squamish.bc.ca/files/PDF/0510_Squamish_AH_final.pdf.

3.0   Affordable Housing Strategy

3.1   Vision Statement

"That all residents will be able to live in safe, appropriate housing that is affordable for their income level."

3.2   Principles

- Affordable housing is an essential community good.
- The *[Local Government]* is committed to a sustainable community, including affordable and safe housing for its residents.
- The *[Local Government]* will collaborate with senior government, its municipal neighbours, the region, the housing industry and community stakeholders in the interests of housing affordability.
- The principle of social integration, of both neighbourhoods and housing developments, underlies the *[Local Government]*'s approach to affordable housing.

3.3   Goals

- To preserve and increase the stock of safe, affordable, appropriate housing.
- To decrease the number of residents in housing need.
- To support residents in moving through the stages of the housing continuum, from homelessness to independent market housing.

3.4   Local Government Leadership and Role

3.5   Roles and Actions

         3.5.1 Adopt Inclusionary Zoning

         3.5.2 Create a Secondary Suites Program

         3.5.3 Enable Density Bonus

         3.5.4 Use Resale Price Restrictions

         3.5.5 Create a Housing Fund

         3.5.6 Identify Opportunities for Land Banking

         3.5.7 Establish a Housing Organization

         3.5.8 Look for Partnerships

3.6   Opportunities

3.7   Three Year Work Program 2008-2010

3.8   Twenty Year Rollout 2008-2028

3.9   Bi-Annual Review

3.10   Measuring Accomplishments

4.0 Conclusions

SmartGrowth BC