



REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, SEPTEMBER 20, 2017

SUBJECT Affordable Home Ownership

ISSUE

The Hospitals and Housing Committee is exploring potential roles for the Capital Regional District (CRD) in supporting the development of affordable home ownership in the region and requires information to support future decisions. The findings of a first phase of this exploration has been completed and CRD staff need further direction should the Committee decide that further exploration of options is warranted in a second phase of this potential project.

BACKGROUND

At its May 24, 2017 meeting, the Hospitals and Housing Committee approved the following recommendation:

That CRD staff expand the scope of the Regional Housing Affordability Strategy renewal process to include a more in depth analysis of affordable home ownership and report out in September on the outcomes and next steps.

Phase I Analysis

CRD staff expanded the contract with the consulting team completing the Regional Housing Affordability Strategy (RHAS) renewal to include a specific focus on affordable home ownership in the region. The scope of the additional work included:

- examining income ranges by geographic area within the region;
- matching income ranges with current price ranges in the housing market;
- identifying potential target housing price ranges that are rooted in existing definitions of housing affordability (e.g. CMHC Housing Affordability Measures, BC Housing's Housing Income Limits); and
- identifying the number of units needed in terms of size and price range for geographic areas in the region (demand).

The consulting team has completed its analysis and their final report is presented in Appendix A.

Summary of Findings

- To achieve affordability for households with incomes between 80% and 120% of the region's median income (\$48,637 to \$72,955 per annum) units would have to be discounted to between 48% and 85% of market value and/or receive a per-unit subsidy of between \$63,784 and \$227,726 of the selling/asset price. Increasing the income threshold could reduce the amount of subsidy required, but would undermine the capacity for a program to address those households identified as in highest need.
- In 2011, there were 108,035 owner households in the capital region and the median owner before-tax household income was \$69,329. At the same time, there were 54,470 rental households and the median before-tax household income of \$38,583.

- Approximately 8,700, or 16% of all rental households in the capital region could potentially be eligible for a program focused within the above income range. However, most renter households have incomes well below the affordability threshold and “it is very likely that many [potential] purchasers would be reluctant to take on” the level of debt required to purchase a unit.
- The subsidies noted above are calculated at the maximum limits of the lending criteria and it is likely that many purchasers would be reluctant to take on this level of debt.
- The current market would confine development options to strata units within multi-unit apartment projects, which would further reduce the total number of rental households that could be served.
- Land values, market dynamics and income demographics within the region would confine development opportunities to a very small number of municipalities/electoral areas – Esquimalt, Saanich, Colwood and Langford.
- Where conditions have allowed, there have been successful “one-off” affordable home ownership projects developed in British Columbia, including a project at Dockside Green, currently administered by the CRD through a partnership between the CRD and BC Housing.
- After examining these projects using various factors, such as program definition, marketing, municipal development requirements, tenure controls, administration requirements and the capacity to secure adequate philanthropic or government subsidies, the projects were assessed to be not easily scaled or replicated.
- There are non-profits that have developed and are currently delivering affordable home ownership projects, but they operate in regions where market conditions and development opportunities and dynamics vary considerably from those in the lower mainland and capital region.
- The data indicates a high level of economic stress among renter households in the capital region and the consultants suggest organizations with limited resources consider developing affordable housing initiatives in areas of the housing spectrum where impact can be maximized.

ALTERNATIVES

1. a) Receive the report *Exploring Entry-Level Ownership: An Analysis of the Potential Opportunities in the CRD Context* as presented in Appendix A for information; and
b) Identify the Capital Regional District's role and options for program/service delivery through the review and update of the Regional Housing Affordability Strategy.
2. Proceed with a Phase II analysis based on the findings of the report presented in Appendix A.

IMPLICATIONS

Social Implications

The CRD is undertaking the RHAS update that will identify strategies on how the region moves forward in addressing housing affordability issues across the housing spectrum. The findings from the study identify that a small number of households could benefit from Affordable homeownership programs if large subsidies were in place. Yet, the projects that were assessed are not easily scaled or replicated.

BC Housing is implementing a program that supports the development of affordable home ownership projects that deliver units at 90% of market value. Combined with local incentives, this program may have the capacity to support developments in the private sector that could address the needs of households earning 120% of the region's median income. A local developer has recently publicly announced its plan to work with BC Housing to develop an affordable home ownership project in the capital region. This program has just been introduced and has not been evaluated as to what impact it may have on this demographic.

Through the administration of the Dockside Green program, the CRD and BC Housing have come to understand the complexities and challenges related to managing an affordable home ownership program. Two years ago the CRD substantially increased the maximum qualified buyer income threshold in order to allow owners who expressed feeling trapped in their mortgages to successfully market their properties. That threshold is over \$69,000, very near 120% of the region's median income. As well, understanding how the program works, the eligibility requirements as well as the other requirements of the covenant registered on title has proven difficult at times for real estate professionals, property appraisers and even the owners themselves. Finally, issues related to owner-adherence to the requirements of the covenant have emerged and enforcement is proving to be complicated.

According to Statistics Canada, in 2011, approximately 24,674 owner households (22.7% of all owner households), were paying more than 30% of their before-tax income on shelter costs. Having a substantially higher median household before-tax income in comparison to renter households, means that owner households have a greater capacity to pay more than 30% of before-tax income on shelter costs without compromising spending in other important quality of life areas such as food, transportation and child care.

There is evidence at this time that there continues to be significant stress within the existing rental market and that renter households face significant hardship when compared to owner households. Statistics Canada reports that in 2011, 25,492 renter households (46.8% of all renter households) were paying more than 30% of their before-tax income on shelter costs. Having a substantially lower median before-tax income in comparison to owners means that a large proportion of renter households are forced to compromise quality of life areas of spending (e.g., food, transportation, child care) in order to pay their shelter costs. Over the past two years, vacancy rates have remained at 0.5%, despite a recent increase in the development of new purpose-built rental housing. Although some of this new rental housing is in the form of affordable units, the vast majority of those completed or currently under construction are in the high end of the market. These rents are putting upward pressure on the overall market, with rental rates increasing more rapidly over the past two years. Commercial real estate investment firms and development corporations are currently acquiring rental properties and further pressures within the rental housing market are expected as these businesses seek to achieve a profitable return on investment. Finally, the BC Non-Profit Housing Association completed research indicating the capital region will require over 6,000 units of new affordable rental housing to address future needs to 2036.

Financial Implications

It is estimated that \$75,000 would be required to complete a second phase analysis of options. Should the Committee wish to further this exploration, the funding and coordination of this work would be considered within the 2018 Service Plan and Budget processes.

CONCLUSION

Within the capital region's unique market conditions, and within the context of a changing policy and program environment provincially and federally, it is prudent to explore and outline options for the CRD within the current review and update of the RHAS. Examining the role of the CRD across the housing spectrum through the RHAS review and update will provide the opportunity to make decisions based on more up-to-date housing and income data, identify where within the spectrum the CRD is likely to have greatest impact as well as incorporate opportunities emerging within policy and program developments at other levels of government.

RECOMMENDATIONS

- a) Receive the report *Exploring Entry-Level Ownership: An Analysis of the Potential Opportunities in the CRD Context* as presented in Appendix A for information; and
- b) Identify the Capital Regional District's role and options for program/service delivery through the review and update of the Regional Housing Affordability Strategy.

Submitted by:	John Reilly, MSW RSW, Manager Housing Planning & Programs
Concurrence:	Christine Culham, Senior Manager Regional Housing
Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

JR:tt

Attachments: Appendix A - Exploring Entry Level Ownership: An Analysis of the Potential Opportunities in the CRD Context