



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, JUNE 5, 2019**

SUBJECT Housing Agreement Services

ISSUE

A staff report is required to respond to a Hospitals and Housing Committee motion regarding the potential for a Capital Region Housing Corporation (CRHC) service to support municipalities and/or electoral areas in their efforts to work toward inclusionary housing.

BACKGROUND

At its February 6, 2019 meeting, the Hospitals and Housing Committee approved the following motion:

That staff be directed to report back to the Housing and Hospitals Committee on the potential for the Capital Regional Housing Corporation to operate and/or own units in privately developed buildings as a service to municipalities working towards inclusionary housing.

The CRHC and the Capital Regional District (CRD) have a history of supporting the administration of both affordable rental and below-market ownership housing units in market developments in the region.

Below-market home ownership

Dockside Green, City of Victoria

In 2009, the CRHC entered into a Memorandum of Understanding (MoU) with the Provincial Rental Housing Corporation (BC Housing) to administer resales of 26 below-market ownership condominiums within 4 Dockside Green properties at 373, 379, 391 and 399 Tyee Road. Of the total units, 9 must be sold at 84% of appraised market value and 17 must be sold at 85% of appraised market value.

To ensure that units continue to be sold at the agreed upon below market level, Dockside Green Ltd. entered into two separate Section 219 Covenants, Options to Purchase and Housing Agreements with BC Housing that are registered on the title of each unit (see Appendix A). The Housing Agreements provide the details of the relationship between the CRHC and BC Housing as well as the administrative procedures governing resales. CRD Housing Planning and Programs staff administer the resales. Under the Agreement, the staff fulfill the following duties:

- field inquiries from owners, interested buyers and realtors,
- advise owners on the process and procedures governing resales,
- review and approve market appraisals of units,
- apply the relevant below-market reduction and inform owners of maximum selling price,
- receive, review and approve prospective buyer information, including documentation that confirms household income,
- submit all relevant documentation supporting sales to BC Housing for final approval,
- review and, where necessary, adjust qualifying income levels to address changing market conditions, and

- maintain a comprehensive file system of all documentation related to resales and the application and/or adjustment of program procedures or policy.

The current qualifying household income to purchase a unit is the region's median annual household income in 2017, or \$69,360. Over the past 10 years, the CRD has administered 23 resales at an average of 80% of market value. The service is operated on a cost recovery basis with the CRD assessing a 0.5% administrative fee based on the final sale price of each unit resale. Since inception, the CRD has collected a total of \$23,330.50 in administrative fees.

430 Parry Street, City of Victoria

In March 2019, the CRD Board approved Bylaw 4289 and Housing Agreement (Appendix B) that outlined the terms and conditions for the CRD through the CRHC, to administer the resale of 2 units of below-market ownership housing in a 12 unit project planned for 430 Parry Street in Victoria.

The terms of this agreement are similar to those for the Dockside Green program, with the following exceptions:

- the CRD is the final arbiter of the agreed upon sale price for each unit,
- provisions made for the CRD to market and sell the unit in cases of foreclosure,
- more alternatives in hardship cases that allow owners to rent units for no more than two years at below market rates, and
- stronger remedies in cases where owners are found to be in contravention of the terms of the covenant.

Affordable rental

Travino, District of Saanich

In 2011, the District of Saanich and Geric Construction entered into a Housing Agreement, requiring Geric Construction to set aside five units for a 10 year period to be rented at 85% of CMHC average market rents to households that meet the income to rent guidelines. The CRHC entered into a MoU with the District of Saanich to provide the administration of this agreement on its behalf (Appendix C).

CRHC is responsible for the verification of income information and rent levels and receives a copy of the tenancy agreement for these five units during the life of the agreement. CRHC receives a fee of \$150 each time a new tenant is being housed in one of these units. The CRHC and the District of Saanich are responsible for their own costs with respect to their respective obligations under the MoU.

ALTERNATIVES

Alternative 1:

That staff be directed to report back on a formal program to support municipalities and electoral areas in their efforts to implement inclusionary housing practices.

Alternative 2:

That the report be referred back to staff for further review.

IMPLICATIONS

Formalizing, Refining and Actively Promoting Current Practice

Current practice allows the CRD and the CRHC to offer services to member municipalities and electoral areas requesting support in ensuring that units within privately held developments are achieving the given municipal authority's affordable housing objectives on a cost-recovery basis.

These practices are not yet formalized into a program, nor are they actively promoted to the region's municipalities and electoral areas. Doing so would require the development of operating procedures and qualifying criteria for a program. The program would be required to outline the parameters through which the CRD would enter into formal agreements with municipalities and/or private sector developers to help administer below-market ownership and affordable rental housing.

Some analysis of the administrative costs of these existing practices may help provide a basis for ensuring a program would be operating on a full cost-recovery basis. There would also need to be an effort made to align income qualification standards with respect to defining affordability with best practices by other organizations, most notably BC Housing, as it relates to low and moderate household income within both the rental and ownership markets.

The current interest among regional municipalities and electoral areas suggest such actions by the CRD lead to an increase in demand for such services. Regional Housing would need to monitor service demand and assess staffing levels accordingly. This could be managed through current CRD budget and service planning processes.

Broadening to Include CRD Ownership

The CRD and CRHC do not own housing units within private sector developments for the purpose of providing affordable housing. The CRD does own six strata units within Carey Place, a non-profit, affordable independent seniors' housing development managed by Baptist Housing Society. BC Housing also owns units within this strata-titled project, and the CRD, BC Housing and Baptist Housing, form the strata ownership group, meeting semi-annually to oversee the overall operations of the project.

Engaging in negotiations to support the CRD or CRHC owning units within private market developments would require access to capital to purchase units and access to low-interest financing to ensure the delivery of units at affordable rental levels. Currently there is no mechanism for this.

Dividing ownership between the CRD and other owners in a strata-titled development where the CRD owns and rents out its units would create situations where the CRD would carry responsibilities related to being part of a strata corporation. Ensuring the capacity to provide the units as rental would also require some form of covenant, registered on title by the municipal authority, that designate either all, or, at minimum, the CRD owned units as being exempt from any restrictions on rentals.

Ownership within purpose-built rental projects would also require some form of property stratification and necessitate the CRD entering into sophisticated, negotiated agreements with private developers that outline the roles and responsibilities of each party in the day-to-day operations as well as the long-term health of the structure and property. Ownership would also bring with it increased shared risk and liability for the overall property and its tenants.

It is recommended that the CRD consider supporting the administration of affordable rental units within purpose built rental buildings and supporting the administration of below market ownership options within ownership properties.

CONCLUSION

The CRD and CRHC have a history of providing services on a cost-recovery basis to assist municipalities and electoral areas in delivering affordable and below-market housing programs that align with their inclusionary housing practices. The CRD has demonstrated responsiveness when asked, on an as-needed basis, to create such services, however, there currently are no formalized policies or procedures to support advancing these services as a CRD or CRHC program. Considering the success that the CRD and CRHC has experienced to date with these services, and the risks and challenges associated with owning and operating portions or units of housing within strata or purpose built rental buildings, the most promising course of action would be to use existing practices as a foundation to creating and promoting a formal program that could assist municipalities and electoral areas in implementing their inclusionary housing practices.

RECOMMENDATION

That staff be directed to report back on a formal program to support municipalities and electoral areas in their efforts to implement inclusionary housing practices.

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Concurrence:	Robert Lapham, MCIP, RPP, Chief Administrative Officer

JR:mk

Attachments: Appendix A - Dockside Green Ltd. Section 219 Covenants, Options to Purchase and Housing Agreements
Appendix B - Bylaw 4289 and Housing Agreement - 430 Parry Street
Appendix C - Memorandum of Understanding with the District of Saanich