

A Regional Affordable Housing Trust Fund: Business Case and Draft Establishing Bylaw for Review and Consideration

Background & Purpose

The CRD's Regional Growth Strategy (RGS) recognizes housing affordability as a regional priority and key issue in the Capital Region. Public opinion polling undertaken as part of the RGS process found that 81 % of regional residents agreed that there was a need for a regional strategy focused on housing affordability. In light of this, the Board initiated the preparation of a Regional Housing Affordability Strategy in October 2001.

In July 2003, the *Final Consultant's Report — A Proposed Housing Affordability Strategy for the Capital Region* (RHAS) was released for review and comment. The goal of the proposed RHAS is: "To improve housing affordability and ensure the availability of a reasonable choice of housing by type, tenure, price and location, specifically for low and moderate income households, the elderly, youth, those with special health and other needs, and the homeless, over both the short and long term." The RHAS sets out seven strategic directions to achieve this goal:

1. Raising and leveraging additional funds for more-affordable housing.
2. Reducing policy and regulatory obstacles to facilitate the provision of more-affordable housing.
3. Encouraging intensification to improve housing affordability.
4. Utilizing public lands to support housing affordability.
5. Encouraging self-help initiatives by community organizations and individuals to increase the supply of more-affordable housing.
6. Maximizing the use of existing senior government housing programs and advocating for increased funding for more-affordable housing.
7. Improving awareness, changing attitudes and building support for more-affordable housing.

Four priority actions are identified as key to implementing the RHAS:

1. The Housing Trust Fund — to provide equity to bring to the table other government programs;
2. The Housing Facilitator and Housing Resource Centre — focused on finding partnerships to develop solutions;
3. Incentives for preserving the existing rental stock; and,

4. Harmonizing local development regulations.

In the municipal review of the RHAS report, eight municipalities (Victoria, Saanich, Colwood, Metchosin, Sooke, North Saanich, Central Saanich, Highlands) indicated either support, conditional support, or support in principle for the action to establish a regional housing trust fund, particularly with the aim of leveraging senior government and other funding for affordable housing.

This report presents a business case for the establishment of a regional affordable housing trust fund in the Capital Region for the consideration of the Board and member councils. Included in Appendix One is a draft establishing bylaw that is proposed for consideration as the implementation vehicle for the regional affordable housing trust fund. Appendix Two includes proposed guidelines for drafting a separate bylaw for the administration of the service.

The Affordable Housing Situation in the Capital Region

The Capital Region's housing market is one of the most expensive in Canada with only Toronto and Vancouver having higher house prices. The *Discussion Paper on Housing Trust Funds* prepared by Lumina Services (October 2003), estimates that 22,000 households in the Capital Region are in core housing need; that is, they cannot obtain adequate shelter at a price they can afford. This number represents more than the total households of Esquimalt, Oak Bay, and Langford taken together, or more than all the households in the Western Communities at the time (1996 census figures).

Of people in core housing need two thirds are renters and most are under the age of 65. The greatest number of renters in core need live in Victoria (over 9,000 households) and Saanich (over 3,000 households). However in proportion to the total number of renters, Langford is highest at 42% followed by Victoria (41.6%), Esquimalt (38.9%), and Sidney (36.2%).

Households are in core need because their incomes are too low to afford the rent they must pay in this market:

- Over 10,000 people living alone earning \$15,224/year cannot afford to spend more than \$400/month.
- Over 2,500 lone parent families earning \$18,543/year cannot afford to spend more than \$499/month.
- Over 1,330 couples (with children) earning \$24,627/year cannot afford to spend more than \$600/month.
- Close to 4,500 senior having incomes between \$15,000 and \$22,000/year cannot afford to spend more than \$400 to \$499/month.

Of the region's 25,000 apartment units, only 10% rent for less than \$500/month.

One would need an income close to \$20,000 to reasonably afford units renting at this level.

High land cost is the major reason housing is so expensive in the Capital Region. Land costs will only increase in future as the supply of land designated for development diminishes.

In summary, in the Capital Region:

- Those in greatest housing need are low to moderate income renter households, both families and individuals.
- The need is spread throughout all parts of the region.
- The local economy's reliance on workers in the service and tourism industries makes affordable housing essential to the region's economic health.
- The diminishing supply of developable land is a major reason why it is expensive to develop and rent new units at rates affordable to even median-income households, without some kind of additional contribution to the project pro-forma.

The Benefits of Affordable Housing

Affordable housing is a key component of quality of life. As the RHAS report states, "Housing is a cornerstone for building strong communities and access to housing is pivotal to community stability — it is a key determinant of a healthy community. Where and how people live not only affects individual health, but the well-being and character of the whole community."

Some of the benefits of affordable housing are:

- A supply of affordable housing can eliminate a basic roadblock to business investment and growth. High housing costs hinder economic development, using up income households would otherwise spend on other goods and services and making it difficult to attract and recruit qualified workers.
- Safe, stable and affordable housing provides the basic infrastructure necessary to keep safe, warm, dry and healthy. High housing costs impact health care and social service costs, because without adequate housing it is difficult for an individual to maintain health or access health services — interventions for those who do not have adequate housing are generally some of the most expensive in the social welfare system.

- Affordable housing provides low and moderate income families with a stable place to rear children and build social networks, both important to maintain health, and access opportunities for employment, training and education. Children in families that have to move frequently are particularly vulnerable to stress, health and dental problems and are at an educational disadvantage that perpetuates poverty and ultimately the cost to society.

Why a Regional Affordable Housing Trust Fund

Housing Trust Funds (HTF) were created to provide a way to build and preserve affordable housing in the absence of senior government funding. They are defined as distinct funds established by legislation, bylaw or resolution to receive public revenues, which can only be spent on housing. A HTF receives on-going revenue from dedicated sources of public funding such as taxes or fees. In Canada, funds exist in at least 13 municipalities, including eight in BC.

HTF's provide the following advantages:

- Leverage: HTF's create a source of equity that can be used to lever funds from other sources, both public and private. Without money, it is impossible to take any significant action to meet the need for affordable housing.
- Partnerships: HTF's use partnerships to marshall resources from a number of agencies to create and retain housing.
- Flexibility: funds are very flexible and can be structured to meet the particular housing needs of the community.
- Targeting: Funds are established to meet local needs and they can be precisely targeted to meet those that are most pressing. Some funds focus only on low income renter households, others on the homeless, others on a wider spectrum of housing needs.
- Economic development: HTF's create jobs, training opportunities, and increased tax revenues.
- Innovation: The flexibility and local focus of HTF's tend to make them innovative in their approach to the development and operation of affordable housing.

The availability of even limited locally generated funds would enable the Capital Region to approach senior governments as a true partner and investor in the development of housing that is affordable to regional residents.

Principles to Guide the Regional Housing Trust Fund

These voluntary (not statutory) principles, identified through discussion at Regional Planning Committee, are proposed to guide the Regional Housing Trust Fund (RHTF):

- Municipal participation in the RHTF would be voluntary.
- The CRD would requisition funds annually from participating municipalities and electoral areas.
- Accountability for the final disbursement of funds would rest with elected decision-makers on the Board.
- A non-political advisory body representative of the various community interests in affordable housing across the Capital Region would make recommendations to the Board within the context of established strategic priorities.
- Only participating municipalities would have the right to vote on matters relating to the RHTF.
- For a funding request to pass it must receive the support of at least three participating municipalities.
- All eligible projects must leverage funds from other sources, either senior government or private, and proceed as partnerships.
- Distribution of the funds would be based on identified need and opportunity, coupled with a concern for ensuring a fair share across the participating municipalities.
- Housing providers other than the Capital Region Housing Corporation would also be able to propose projects for funding.

Recommended Scope and Objectives

The RHTF would be established to:

1. Stimulate and leverage financing for the acquisition, development and retention of affordable housing.
2. Target funding to assist people in core housing need, primarily those with the lowest regional household incomes.
3. To partner and leverage the funding resources of private, federal, provincial and municipal sources.
4. To address the strategic directions outlined in the Capital Regional District's Regional Growth Strategy and Regional Housing Affordability Strategy.

The RHTF would operate under a five-year strategic service plan and a one-year operations plan approved by the CRD Board (comprised of representatives of participating municipalities and electoral areas). This policy framework would set out measurable objectives and priorities for investment. No more than 5% of

funds collected on an annual basis could be used to administer and monitor the RHTF. Operating priorities and procedures would be reviewed annually in the first three years and then every five years.

Housing proposals would be considered on a rolling call basis within the guidelines established by the Board in the approved service and operations plans. Criteria for project evaluation would be established in the five-year strategic service plan and approved by the Board. Research of communities already operating housing trust funds would contribute to the identification of evaluation criteria for the Capital Region RHTF.

The fund benefits would be maximized only by leveraging capital funding. Using the fund for the subsidization of rent supplement units or direct funding of development and acquisition by private or non-profit organizations would be a poor use of the fund.

At present the Capital Region Housing Corporation (CRHC) is the only municipal non-profit housing corporation in the Capital Region. The CRHC is the only corporation structured to work directly with the CRD, within existing bylaws, to partner with federal and provincial sources to create affordable housing. However, CRHC should partner whenever possible with private non-profit organizations to develop affordable housing and on the basis of specific project proposals, private non-profit housing corporations should be able to directly access the financial resources of the RHTF.

Cost of the Proposed Housing Trust Fund

The proposed RHTF aims – if all member municipalities and electoral areas agree to participate - to raise approximately \$1 million each year spread across the participating municipalities and electoral areas, apportioned on a 50/50 population/converted assessment basis. If all member municipalities and electoral areas participate on this basis, the cost breakdown would be as follows:

Jurisdictions	Converted Assessments	Population	Apportionment 50/50 Pop./C. Assess.
Colwood	132,066,562	14,597	35,520
Victoria	1,259,539,127	77,791	248,691
Central Saanich	230,941,136	16,292	48,573
Esquimalt	140,189,253	17,007	39,922
Langford	234,221,593	20,523	55,128
Saanich	1,286,024,205	109,661	298,256
Oak Bay	312,163,426	18,522	60,524
North Saanich	220,734,771	11,069	39,823
Metchosin	50,567,522	5,153	12,961
Sidney	169,026,415	11,541	34,989
View Royal	92,983,402	7,897	21,518
Highlands	23,765,785	1,811	5,196
Sooke	84,066,352	9,351	22,697
Juan de Fuca	96,415,351	4,314	16,631
Saltspring Island	195,508,537	10,660	36,528
Southern Gulf Islands	150,002,021	4,780	23,041
Total	4,678,215,458	340,969	1,000,000

If not all member municipalities and electoral areas participate, those that do agree to participate would contribute a share equivalent to the amount that they would contribute if all areas participated. For example, if all municipalities and electoral areas participated in the fund, Victoria would contribute \$248,691, Saanich \$298,256, Langford \$55,128 and Sidney \$34,989. If these four municipalities are the only one's that agree to participate in the fund, they would not have to share the cost of the proposed \$1 million fund between them. Rather, each would contribute the same amount that they would have contributed had all participated; resulting in a smaller fund of \$637,064.

As noted above, administrative costs would not exceed a maximum of 5% of funds collected on an annual basis. For example should \$1 million collected, a fee of \$50,000 would be provided to the Capital Region Housing Corporation to administer and monitor the fund and gather stakeholder input.

Cost/Benefit Comparison

The RHTF would seek to establish partnerships to maximize the potential financial leveraging of its equity participation. The Capital Region Housing Corporation has

provided the following examples of the types of projects that have been either considered by the CRHC or are underway by other non-profit housing societies. These illustrations indicate the benefits of leveraging and partnerships available with RHTF equity participation of \$1 million. This information shows leveraging possible under an arrangement where non-profit housing societies act as the primary sponsor of housing proposals. While the examples show the *maximum leveraging possible*, they also describe the most likely type of funding arrangement that could be secured with the RHTF.

1. Under the Independent Living BC housing program, the RHTF would partner with BC Housing and the Vancouver Island Health Authority to develop 40 units of senior supportive housing.
Total capital cost = \$6.0 million
RHTF equity participation = \$600,000

2. Acquire and rehabilitate an existing private rental project of 80 townhouse family rental units.
Total capital cost = \$9.6 million (note includes federal tax receipt)
RHTF equity participation = \$300,000

3. In partnership with CMHC and BC Housing, develop 20 units for low income singles.
Total capital cost = \$1.1 million
RHTF equity participation = \$100,000

The maximum leveraged impact of \$1 million raised locally through the RHTF is summarized in the following tables:

Capital Funding

Mortgage underwriting support from BC Housing	\$5,750,000
Mortgage underwriting support from CMHC	\$7,700,000
Direct Capital funding support from CMHC (RRAP)	\$2,400,000
Community/non-profit equity support	\$650,000
Federal tax reductions (tax credit)	\$1,600,000
Total	\$18,100,000

Annual Operating Funding

BC Housing annual operating subsidy	\$393,000
Federal/CMHC annual subsidy	\$nil
Vancouver Island Health Authority	\$365,000
Annual municipal taxes paid	\$140,000
Total	\$898,000

Summary of Potential Benefits

Based on the mix of accommodations noted in the examples noted above, the following potential benefits of the fund are observable:

- RHTF equity contribution of \$1 million
- Results in \$18.1 million in capital funding generation
- \$788,000 in annual subsidy support from senior levels of government
- \$140,000 in additional municipal taxes annually.

In other words, a **\$1.00 of RHTF equity = \$18.99 return in Capital and Operating.**

According to information provided by CMHC, this has the potential to create approximately 175 person years of employment annually.

Implementation

This report presents for review and discussion a new service establishing bylaw (Appendix One), with the intention of identifying which member municipalities and electoral areas would be prepared to participate in the RHTF and proceed to bylaw approval before March 23, 2005. This would enable the CRD to requisition funding contributions in the 2005 fiscal year.

Conclusion - Anticipated Overall Results

The anticipated overall result of the RHTF is to significantly increase the Capital Region's ability to raise funds for affordable housing, by raising an ongoing equity stake that can be used to leverage additional funds primarily from senior levels of government and the private sector. Without money on the table, the Capital Region will not be able to access existing and future programs that could help fund, develop and retain housing affordable to the more than 22,000 regional households in core housing need. The extent of the fund's ability to leverage additional funds is difficult to predict. Nevertheless, the RHTF would give the Capital Region a vehicle to begin seriously addressing the housing affordability issue in a focused and determined way.

In reviewing this report, the Board and member councils should give consideration to the following questions:

1. Are you prepared to support the participation of your municipality or electoral area in the regional housing trust fund?

2. If yes, are you prepared to approve by the inclusion of your municipality or electoral area among the participating areas in the RHTF service establishing bylaw, to proceed to approval by March 23, 2005?
3. If no, what issues or concerns would need to be resolved before you would be prepared to participate in a regional housing trust fund?

APPENDIX ONE – Draft Regional Housing Trust Fund Establishing Bylaw

DRAFT FOR REVIEW & CONSIDERATION

CAPITAL REGIONAL DISTRICT

BYLAW NO. _____

A BYLAW TO ESTABLISH A REGIONAL HOUSING TRUST FUND

WHEREAS under section 796 of the *Local Government Act* a Regional District may operate any service the Board considers necessary or desirable for all or part of the Regional District;

AND WHEREAS the Board of the Capital Regional District (“CRD”) wishes to establish a service for the purpose of a Regional Housing Trust Fund (“RHTF”);

AND WHEREAS the Capital Regional District Regional Growth Strategy (Bylaw 2952) identified housing affordability as a regional priority and specified that the Regional District and its partners would prepare a Regional Housing Affordability Strategy to identify local issues, their extent, and possible solutions;

AND WHEREAS the background and final reports of the Regional Housing Affordability Strategy completed in 2004, have identified the breadth and depth of the housing affordability problem in the Capital Regional District, as well as potential initiatives to improve the situation regionally and locally for government, non-profit and market sectors of the industry;

AND WHEREAS the highest priority action recommended, identified as fundamental to the success of the Regional Housing Affordability Strategy, was the establishment of a RHTF;

AND WHEREAS the availability of funds would enable the development of partnerships with senior governments for the development and retention of housing that is affordable to regional residents;

AND WHEREAS the 2004 studies conclude that:

- those in greatest housing need in this region are low and moderate income renter households, both families and individuals;

- the need is spread throughout all parts of the region;
- the local economy's reliance on workers in the service and tourism industries, who are generally within those income classes, makes the availability of housing for workers essential to the region's economic health;
- the region's diminishing supply of developable urban land is the major component in the high cost of developing new housing units here, which for rental accommodation means that new market units cannot be developed and rented at rates affordable for even median-income households;

AND WHEREAS the Board of the CRD, upon consideration of these reports and in consultation with its member councils and electoral area directors, considers it necessary to establish a RHTF;

AND WHEREAS the approval of the electors in each Participating Area has been obtained under [choose from: section 801.2, 801.3, 802.4, 801.5 depending upon results of circulation] of the *Local Government Act*;

AND WHEREAS the approval of the Inspector of Municipalities has been obtained under section 801 of the *Local Government Act*.

NOW THEREFORE the Board of the Capital Regional District in open meeting assembled enacts as follows:

1. Service

- a) The Service established by this Bylaw is the Capital Regional District Regional Housing Trust Fund (the "Fund") for the purpose of providing funding:
 - i. To assist in the acquisition, development and retention of housing that is affordable for those households in the region with low or moderate household incomes;
 - ii. To facilitate social and economic investment in affordable housing in the Participating Areas;
 - iii. To assist people in core housing need, primarily those in the lowest two quintiles of regional household income as established in the most recent Canada Census; and,

- iv. To facilitate achieving the strategic directions outlined in the CRD's Regional Growth Strategy.
- b) Funds raised from the Participating Areas under this Bylaw shall be used to contribute to projects that include funds from other partners, including but not limited to, contributions from senior governments and other housing stakeholders, including non-profit societies, corporations and individuals.
- c) Where participating municipalities, or the Board on behalf of participating electoral areas, have a project that meets the objectives of this service, that project may be given priority funding up to the limit of the annual funding contribution for the year for the Participating Area.

2. Boundaries

The boundaries of the Service Area are [*name of municipalities and electoral areas participating in the service*] (the "**Service Area**").

3. Participating Areas

The "Participating Areas" are [*list municipalities and electoral areas, as applicable*].

4. Cost Recovery

As provided in section 803 of the Local Government Act, the annual cost of providing the Fund shall be recovered by one or more of the following:

- a) property value taxes imposed in accordance with Division 4.3 of the *Local Government Act*,
- b) fees and charges imposed under section 363 of the *Local Government Act*,
- c) revenues raised by other means authorized by the *Local Government Act* or *another Act*,
- d) revenues received by way of agreement, enterprises, gift, grant or otherwise.

5. Maximum Requisition

In accordance with section 800.1 (1) (e) of the *Local Government Act*, the maximum amount that may be requisitioned annually for the cost of the Fund is One Million (\$1,000,000.00) dollars.

6. Apportionment of Costs

The net annual cost attributable to this Fund shall be apportioned among the participating municipalities and electoral areas on the basis of 50 percent by population determined annually by the Regional Planning Services Department of the Capital Regional District and 50 percent by net taxable value of land and improvements for hospital purposes.

7. Voting Entitlement

Each Director shall have one vote in relation to bylaws and resolutions respecting the administration and operation of the Fund.

8. Administrative Committee

The Board, by bylaw, may establish an Administrative Committee to oversee the Fund and advise the Board on the administration and operation of the Fund.

9. Citation

This bylaw may be cited for all purposes as the “Capital Regional District Regional Housing Trust Fund Bylaw No. 01, 2005.”

READ A FIRST, SECOND AND THIRD TIME THIS	day of	2005
APPROVED BY THE INSPECTOR OF MUNICIPALITIES THIS	day of	2005
RECEIVED THE ASSENT OF THE ELECTORS THIS	day of	2005
ADOPTED THIS	day of	2005

Chair

Secretary

FILED WITH THE INSPECTOR OF MUNICIPALITIES THIS day of 2005

APPENDIX TWO – Guidelines for the Preparation of a Regional Housing Trust Fund Service Administration Bylaw

If the Board were to adopt a Regional Housing Trust Fund Service establishing bylaw, a separate bylaw would need to be adopted relating to the administration of the service. The following information is proposed as the general content of a service administration bylaw for a Regional Housing Trust Fund.

ADMINISTRATIVE COMMITTEE

The Board shall appoint an administrative committee that will oversee the service and advise the Board on the operation and administration of the Regional Housing Trust Fund and on the disbursement of funds to eligible projects. The committee membership shall be representative of the various community interests in affordable housing across the participating jurisdictions, and shall make recommendations within the context of strategic priorities established by the Board.

The committee will:

- i. Make recommendations to the Board on the Regional Housing Trust Fund five-year strategic service plan and the annual operating plan and budget;
- ii. Make recommendations to the Board on related policies, procedures and project funding and geographic allocation criteria;
- iii. Make recommendations to the Board on the process for receiving, reviewing and evaluating applications for funding;
- iv. Make recommendations to the Board regarding a fair distribution of project funding across the participating areas;
- v. Review applications for project funding and make recommendations to the Board regarding project funding approval;
- vi. Review municipal applications to access their funding contributed for the current budget year which they would then apply to an affordable housing project with high local priority; and,
- vii. Report annually on the performance of the Regional Housing Trust Fund in achieving the Board's strategic priorities.

The Board may establish the Board of the Capital Region Housing Corporation (CRHC) as the Regional Housing Trust Fund Administrative Committee, provided the composition of the CRHC Board includes representatives from each of the

Capital Region Sub-Regions (Core, Peninsula, Western Communities), and that its membership represents the spectrum of community interests specified above.

OPERATION

The Capital Region Housing Corporation will administer and report to the board through the administrative committee and will have responsibility to:

- i. Prepare a five-year strategic service plan and annual operating plan and budget for review by the Regional Housing Trust Administrative Committee and for review and approval by the Board.
- ii. Negotiate on behalf of the board to establish partnerships with senior levels of government and others, acting on behalf of the board and participating municipalities.
- iii. Provide administrative support to the Regional Housing Trust Administrative Committee.
- iv. Seek and obtain stakeholder input into the ongoing operation of the Regional Housing Trust Fund including the monitoring of its effectiveness in meeting the Board's approved priorities.

The Capital Region Housing Corporation may charge for its administrative services up to a maximum of 5% of funds collected on an annual basis.

USE OF FUNDS AND FUNDING ARRANGEMENTS

The Regional Housing Trust Fund shall be used to leverage capital investment in the development, acquisition and retention of affordable housing. A maximum of 5% of funds collected on an annual basis can be provided to the Capital Region Housing Corporation to administer, monitor and obtain stakeholder input into the operation of the fund.

PRINCIPLES FOR APPLICATION APPROVALS

Any criteria established to review funding applications and select projects eligible for funding shall consider the following principles:

Fairness – there should be a fair distribution of funds between the sub- regions within which participating municipalities and electoral areas are located over the term of each 5-year strategic service plan.

Partnership – projects in which the Regional Housing Trust Fund participates must

involve a partnership with one or more housing stakeholders, who may include non-profit societies, senior governments, other local governments, market housing providers or others.

Financial Leveraging –projects must achieve a minimum leveraging ratio of 4:1 to be considered eligible for funding, with preference being given to projects that demonstrate higher leveraging ratios.

Stock Retention - funded projects must agree to remain affordable for 25 years.

Locational Affordability – Funded projects must demonstrate external affordability benefits for residents by virtue of their location within walking distance to a transit stop, shopping, schools, recreation and other community facilities, and be located within the Regional Urban Containment and Servicing Policy Area as set out in the CRD's Regional Growth Strategy.