

Appendix to Working Paper #1
What the Data Tell Us

A Regional Housing Affordability Strategy for the Capital Region

March 2003



Table of Contents

1.0	Introduction	5
2.0	The Context.....	6
	2.1 Why Should We Care?	6
	2.2 Community Based Initiatives	7
	2.3 The Current Public Policy Environment.....	8
3.0	Why a Strategy is Needed.....	11
4.0	The Cost of Housing in the CRD.....	12
	4.1 Rental Housing.....	12
	4.2 Ownership.....	14
	4.3 Residential Land Cost and Supply and Residential Construction Costs	14
	4.4 Understanding the Challenge of Providing Rental Accommodation for Lower Income Households	22
	4.5 Local Government Charges	23
	4.6 Perceptions from the Community.....	24
	4.7 Key Findings and Conclusions	25
5.0	Housing Stock and Supply in the Capital Region.....	26
	5.1 Overview	26
	5.2 Rental Stock	26
	5.3 Ownership Stock.....	29
	5.4 Social Housing Stock.....	30
	5.5 Secondary Suites Activity Across the CRD – An Overview	31
	5.6 Recent Housing Market Activity.....	32
	5.7 Perceptions from the Community.....	35
	5.8 Key Findings and Conclusions	35
6.0	Local Initiatives	37
	6.1 Local Government Initiatives	37
	6.2 Perceptions from the Community.....	46

6.3	Key findings/conclusions	47
6.4	Local Partnerships, Financing and Tenure Initiatives	48
6.5	Perceptions from the Community	49
6.6	Key Findings and Conclusions	50
7.0	Affordability.....	52
7.1	Concept of Core Need.....	52
7.2	Renters in Core Need	56
7.3	Owners and Potential Owners	58
7.4	Homeownership and Affordability in the CRD – New and Re-sale	60
7.5	Special Needs	65
7.6	The Homeless	65
7.7	Perceptions from the Community.....	68
7.8	Key Findings and Conclusions	69
8.0	Emerging Issues and the Future - Forecast Trends	70
8.1	Long Term Forecasts – Household Growth	70
8.2	Short Term Forecasts – Affordability.....	73
9.0	Goals and Objectives	78
	APPENDIX A: Project Pro-Forma #1 – Private Developer.....	81
	APPENDIX B: Core Housing Need Methodology.....	86

Tables

Table 1:	Serviced Residential Land Costs	15
Table 2:	CRD Housing Starts January – August 2002.....	16
Table 3:	Vacant Residential Land in the CRD	17
Table 4:	Typical Construction Costs (per square foot).....	17
Table 5:	Project Soft Costs (Town house).....	18
Table 6:	Municipal Fees and Charges (single-detached unit).....	19
Table 7:	Estimated Total Construction Costs	19
Table 8:	Affordability of Single-detached Housing.....	20
Table 9:	Rental townhouse and apartment affordability at 4.5% mortgage rates	22
Table 10:	Owner and Renter Households by Municipality, 1996.....	26
Table 11:	Rental Stock by Type, 1996.....	27
Table 12:	Renter Households as a Percentage of Total, 1996	28
Table 13:	Distribution of CMHC Rental Market Universe by Rent Level.....	28

Table 14: Ownership Stock by Type, Victoria CMA, 1996.....	29
Table 15: Distribution of Social Housing Units in the CRD	30
Table 16: Starts by Tenure, Victoria CMA, 1994-2001	32
Table 17: Core Housing Need by Municipality.....	54
Table 18: Renter Households in Core Need, Victoria CMA.....	57
Table 19: Income and Rent Data, Renter Households in Core Need, Victoria CMA.....	58
Table 20: Core Need Renters: Shelter to Income Ratios	58
Table 21: Income and Shelter Costs, Owner Households in Core Need, Victoria CMA.....	59
Table 22: Owner Shelter to Income Ratios	59
Table 23: Distribution by price range, new apartment condos sold from Jan. to July, 2002, .Victoria CMA	61
Table 24: Distribution by Price Range, New Row Condos sold from Jan. to July, 2002, Victoria CMA	62
Table 25: Distribution by price range, new single detached houses, Jan. to July, 2002, Victoria CMA	62
Table 26: Affordability of MLS Sales, 1998-2001	63
Table 27: Resale Single Family Houses Selling for Less than \$200,000 January 1–July 31, 2002	64
Table 28: Dwelling Units by Jurisdiction – Existing in 2002 and Forecast Capacity.....	72

Figures

Figure 1: Average Rent for a 2 Bedroom Apartment, October, 2001	12
Figure 2: Monthly Mortgage Payment for 2 Bedroom Apartment, 2001.....	14
Figure 3: Average Income by Age Group and Tenure CRD 1996	29
Figure 4: Vacancy Rate, Victoria CMA 1988-2001	33
Figure 5: Annual Rent Increases, Victoria CMA 1992-2001.....	33
Figure 6: Average Sales Price, Victoria CMA.....	34
Figure 7: Renter Households in Core Need, 1996	56

1.0 Introduction

Housing affordability in the Capital Region is of increasing concern for both low and moderate income households. Reductions in senior government funding for social housing over the last decade have left community organizations and local governments to face the issue. At the same time household incomes declined for many local residents in the nineties (although recently income growth has been more robust), as they did for other Canadians, contributing to the housing affordability problem. All of this is further compounded in the Victoria area, one of the three most expensive housing markets in the country and has had some of the lowest rental vacancy rates (0.5% and 1.5%)¹ of any Census Metropolitan Areas (CMA) in Canada.

As the first in a series of working papers on the Regional Housing Affordability Strategy Working Paper #1 provides an overview of the data analysis completed in Phase 1, including housing need, housing costs and other data that impact housing affordability in the Capital Region. It also identifies: the key findings and conclusions; strategic goals and objectives; and, issues requiring further work and for which solutions need to be developed in the next phase of the strategy.

¹ CMHC Vacancy Rate Survey, October 2001 and October 2002

2.0 The Context

Regionally, the preparation of the Regional Housing Affordability Strategy is being done in the context of a number of inter-related activities and a collaborative environment.

The Regional Housing Affordability Strategy (RHAS) is one of three strategies directed at implementing the Regional Growth Strategy. The other two are the Transportation Strategy and the Economic Development Strategy. The intention is to have an integrated approach in the development of the strategies as housing affordability has implications for the area's sustainability, for example the role safe and affordably priced housing plays in the economic life of the Capital Region and the proposed location of housing in relation to public transit routes. Regional survey results (2000) indicated a strong degree of support (87%) for a housing affordability strategy.

2.1 Why Should We Care?

Access to decent and affordable housing is pivotal to the stability of a community and its residents. Successful economic development depends upon being able to attract a labour force that is able to find accommodation at affordable rents or for those interested in buying, homes at prices within their affordability criteria. In a focus group session for this project, one participant noted that the former Capital Health Region had difficulty in recruiting due to the cost of living – similar comments have come from other employers. Socially, communities also have to provide for residents who are the working poor and at risk of becoming homeless, as well as those who do not have the life-skills to manage independently. Ignoring these residents means jeopardizing the quality of life within the region, and the health and safety of those living here. This is particularly poignant for those at either end of the lifecycle – children who need the stability of nurturing home and school environments to grow up to be productive residents of the future, and the elderly on limited means.

Recent work on the homeless in the Victoria area indicated the overwhelming scale and complexity of homelessness is readily apparent. Working with limited resources, the challenge is to find and apply the most effective combination of funding and community capacity. First and foremost is the basic need for safe and affordable shelter and, within this theme, quick access to "safe places". For some the shelter need is for transitional and second stage housing. Others may require a sensitive resource centre to orient them within the community and to assist in finding shelter.

Underlying the Regional Growth Strategy and generally within the region, there is a concern about the overall health of communities and quality of life, including, for example, increasing homelessness, the shortage of housing affordable by a low/moderate income workforce, changing demographics with an aging population looking for a wider choice in

independent and supportive housing than ever before. Within the Vancouver Island Health Authority there is a strong interest and commitment to the development of housing and supported living options as alternatives to residential and certain acute care services.

Housing affects community sustainability and in this sense involves everyone. Evidence regionally is that there is support for strategically addressing housing affordability. There are indications that local governments are becoming increasingly concerned about the range of housing affordability and choice within their jurisdictions. There is also evidence that there is growing awareness and interest on the part of the private sector and industry representatives in creatively seeking solutions through partnerships and collaboration.

Given the constraints on government funding, there is an increasing trend to building capacity within communities, and leverage resources collectively for housing initiatives to respond to local needs. This in fact has already started to occur regionally.

2.2 Community Based Initiatives Underway in the Capital Region

The **Housing Affordability Partnership (HAP)** has emerged as a key force in the housing environment. HAP is a cross-sectoral public/private group of volunteers, whose non-partisan nature means the group is seen as objective in events and forums across the Region. Another initiative, the **Quality of Life Challenge (QOL)** co-ordinated through the Community Social Planning Council is a comprehensive community initiative to mobilize action and monitor change around three priorities: housing affordability, employment opportunities, and community connections. There is agreement that it is essential that the three initiatives – RHAS, HAP, and QOL – should work cooperatively and with knowledge of the others' project, and should also be seen to be complementary and not duplicating efforts.

Other community action directed at improving housing affordability includes:

- **CEDCO Housing Trust** - the Community Economic Development Corporation (CEDCO) work on the development of a community based funding mechanism (Housing Trust) to improve housing affordability in the Region.
- **ACT Projects** – two grants have been awarded in 2002 under the Affordability and Choice Today (ACT) Program; recipients are: (i) Central Saanich to prepare Evaluation Guidelines is to develop a consistent rationale and approach for evaluating residential development applications for infill and small-scale (10 ha.) developments that promote affordable housing responses; (ii) Canadian Home Builders Association (CHBA) to undertake an affordable housing project in Saanich.
- **Capital Region Housing Corporation** – held a Rental Housing Realities strategic planning session in mid-2002 that resulted in a set of Suggested Options.

2.3 The Current Public Policy Environment

The public policy environment has altered markedly in the last decade. Many responsibilities and issues previously held by senior government are left for local government to act on, yet housing issues of lower and moderate income households remain similar and in some respects have escalated, for example homelessness. Briefly highlighted below are a selection of initiatives that impact housing. Some of the initiatives are in the early stages of implementation or are not fully adopted – so their strategic implications cannot be fully analysed at this time.

National

Affordable Housing Agreements - British Columbia was the first province to sign in December 2001, when CMHC announced the move to implement affordable housing agreements in November 2001 to produce 20,000-30,000 units of affordable housing over a 5-year period nationally. In BC the agreement provides \$88.7M. from each of the Federal and Provincial governments for 3,197 units as follows: 697 units of affordable housing; under Supportive Living BC 1,500 new units, and 1,000 converted units. The Agreement also provides for: 1,000 rent supplements (these are subsidies as part of Supportive Living BC), and enhanced Shelter Aid For Elderly Renters (SAFER) and Supported Independent Living (SIL) programs; BC provides rent geared to income (RGI) subsidies for up to 35 years; other partners are expected to provide land or cash equity (bringing equity to the table is essential), waive fees or reduce taxes. Funding is targeted primarily to seniors housing.

Supporting Community Partnership Initiatives (SCPI) - While SCPI funding to the City of Victoria through Human Resources Development Canada (HRDC) is directed largely at the provision of services rather than the construction of housing, the projects funded have helped raise awareness of the severity of housing need and issues in the Capital Region and provided a variety of support services including additional shelter beds.

CMHC Residential Rehabilitation Conversion Program - Secondary Suite

Conversion Pilot Project - this project is aimed at improving housing affordability. Just getting underway it involves a partnership of the Burnside Gorge Community Association, CMHC, the City of Victoria and community homeowners. Funding for eligible homeowners is provided through the Residential Rehabilitation Assistance Program (RRAP).

Canada's Urban Strategy – released in November 2002, the strategy highlights a National Affordable Housing Program as one of three priority programs.

Provincial

Health Policy - Provincial changes in health policy and local authorities' responses are likely to have implications for housing policy regionally. The Government introduced the new Community Care and Assisted Living Act in Fall 2002. Under this new legislation, existing private sector assisted living residences must be registered and, as well, new assisted living residences developed under the umbrella of the Supportive Living BC Program. The new Bill 73 includes a new section to protect the health and safety of people in assisted living residences, a new housing option for seniors and people with disabilities who need regular personal care assistance. The new legislation reflects the need to address concerns in assisted living residences, which are a fast growing segment of the care field.

Community Charter² - In May 2002 the Provincial Government released for consultation purposes the draft Community Charter legislation. The Charter, "In addition to providing greater autonomy, will also provide local governments with the planning and revenue tools they need to provide services to the public in a modern and more efficient way." The precise implications the Charter has for housing policy and initiatives at the local government level are unclear at this point. Some principles and areas that may have implications, include public-private partnerships, potential municipal revenue sources, and opportunities to dispose of municipal land, close roads and under-utilized Right of Ways. The next phase of the Charter process will expand to regional districts, regional growth strategies, planning and land use, and other issues of local concern.

Income Assistance Legislation - Recent changes in BC Employment and Assistance policies have re-structured income assistance support and shelter rates. The changes in shelter allowance do not affect tenants in BC Housing subsidized units. For those tenants, the minimum rent is established annually, based on the number of family members. However, with a low rental vacancy rate in the Victoria area and changes in the shelter and income assistance rates, there are implications for the Regional Housing Affordability Strategy and a growing level of need. For example, decreases in funding levels by one government agency may require non-profit housing providers to absorb the cost of lost subsidy or pass it on to tenants in rent increases. The tenants that would be affected are those who live in housing cooperatives or in CMHC funded developments. The rent is set at the maximum shelter allowance, less the monthly estimated hydro charge. Therefore, if the maximum shelter allowance is reduced, the tenant will have to dip into their support to cover their shelter, or the cooperative or CMHC funded non-profit housing provider would have to increase the subsidy. In the case of the former, tenants on social assistance will face out-of-pocket housing costs and less money for other personal expenses.

Residential Tenancy Act - new residential tenancy legislation streamlining regulations, strengthening protections for both landlords and tenants, and directed at helping to

² Information in this section is drawn from http://www.mcaaws.gov.bc.ca/charter/pdfs/ccpaper_final.pdf

revitalize investment in the rental housing market was introduced in Fall 2002. The impact on housing affordability in the CRD is unknown, although tenants' advocates are concerned that future rent increases will be much higher than they have been in the past.

3.0 Why a Strategy is Needed

The Regional Growth Strategy recognizes housing affordability as a regional priority. The Capital Regional District committed to a Housing Affordability Strategy following a strong (87%) show of support from residents as part of a survey in 2000. There was also considerable support from partners responding with funding for the strategy.

The key points of the Regional Vision with respect to growth and housing are:

- The majority of future population is housed in existing urban areas within an Urban Containment and Servicing Boundary; rural areas experience stable to limited population increases.
- The core municipalities experience infill and modest population increases, with the bulk of new residential growth occurring in the Western Community municipalities of Langford and Colwood, some in a limited number of new neighbourhoods. The Saanich Peninsula retains its rural and small town character as do Sooke, Metchosin and the Highlands.
- A regional green/blue spaces system protects and maintains the range and diversity of the natural environment.

The following sections of this paper describe why a strategy is needed from the perspective of:

- The factors affecting the cost of housing
- The nature of the regional stock and supply
- Affordability for the residents of the CRD
- Local municipal initiatives impacting regional housing affordability
- Local financing, partnership and tenure arrangements to improve affordable housing options

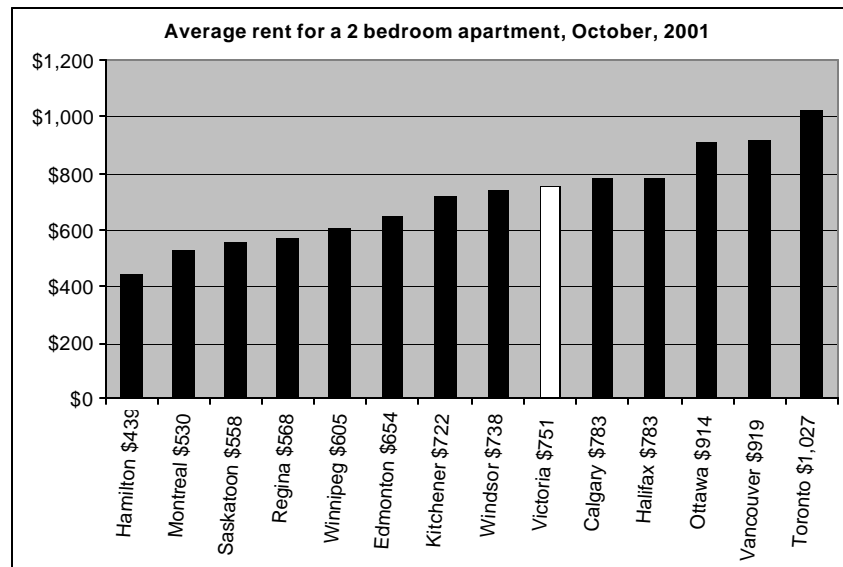
4.0 The Cost of Housing in the CRD

The Capital Region is one of the most costly areas in Canada to build housing. In this section we look at the factors affecting residential construction costs, both rental and ownership housing.

4.1 Rental Housing

Compared to other metropolitan areas in Canada, Victoria ranks roughly in the middle in terms of rental costs. Kitchener, Windsor, Victoria, Calgary, and Halifax have similar rent levels; Ottawa, Vancouver, and Toronto are higher, and the other metropolitan areas are lower.

Figure 1: Average Rent for a 2 Bedroom Apartment, October, 2001



Source: CMHC's Rental Market Survey, October 2001

However, Victoria's vacancy rate is the lowest in the country (0.5% in October, 2001 compared to the national average of 1.2%) and rents are bound to increase as a result. Between 2000 and 2001 rents increased by 2.2%, double the previous year's rate. The Region's economy is dependent on a strong source of service workers for lower paid jobs in tourism, government and a variety of regional institutions who require rental housing. Moreover, the post-secondary student population is increasing in the area.

But will rents increase to the point where new rental construction occurs? Probably not – new rental construction is basically not viable in Victoria. Rents are too low to justify the cost of new construction. If rents were to increase to the point where new construction might make sense, very few renters could afford to live in the new buildings.

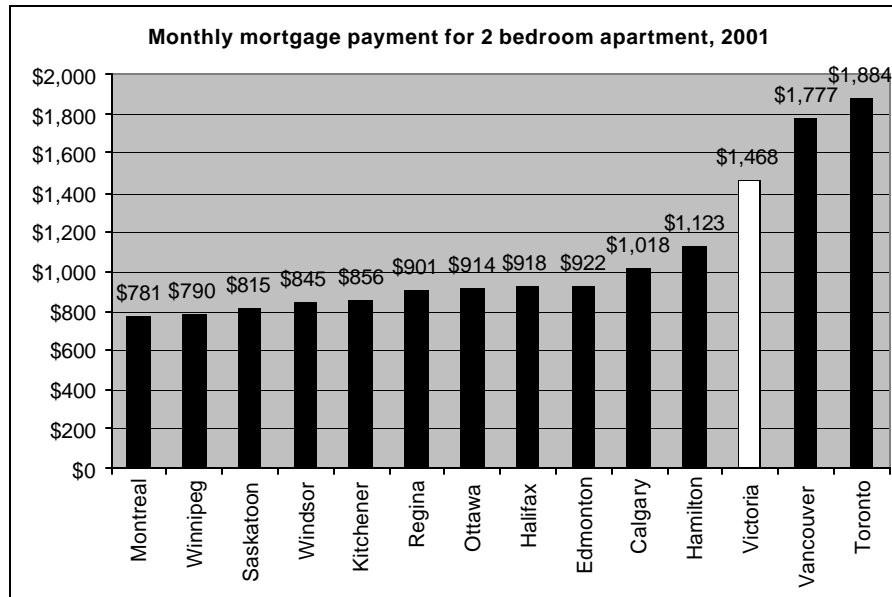
This is true everywhere in Canada, which explains why there has been very little rental construction for 25 years or more. The investment environment for rental real estate is very different from what it was forty years ago. In the 1960's and early 1970's the baby boom generation entered the rental market and had the effect of greatly increasing the demand for such accommodation across Canada. The income tax treatment of investments in rental housing was also extremely favourable from the investor's perspective. Capital gains on real estate investments were exempt and rental income was taxed at a favourable rate.

During the 1970's and early 1980's, the introduction of federal and provincial initiatives such as the Assisted Rental Program (ARP), the write-off of rental losses against other income for tax purposes (Multiple Unit Rental Building program or MURB), the federal Rental Supply Program (CRSP) and the provincial B.C. Rental Supply Program tended to off-set the impact on the industry of provincial rent controls, very high mortgage rates, rapidly rising construction costs and a capital gains tax on real estate investments.

By the late-1980's however, the development of new rental accommodation across Canada began to sharply decline as federal and provincial governments discontinued their housing stimulus programs and removed the tax shelter arrangements that had been available to real estate investors. Private rental completions dropped from more than 35,000 units in 1987 to about 10,000 in 1994.

4.2 Ownership

Figure 2: Monthly Mortgage Payment for 2 Bedroom Apartment, 2001



Source: CMHC Housing Outlook First Quarter 2002. The mortgage payment is based on the average price of new condo apartments absorbed from Jan to Nov 2001, 5% down payment, 5 year mortgage rate of 5.85%, 25 year amortization

Victoria is the third most expensive market for homebuyers in the country after Toronto and Vancouver, at least as measured in terms of the purchase price of a two bedroom apartment.

4.3 Residential Land Cost and Supply and Residential Construction Costs

Housing affordability for homeowners, landlords and tenants is largely a function of three key variables; land, construction costs and a group of other expenses that are sometimes referred to as "soft costs". These variables have pushed up the cost of a new single-detached dwelling in the Capital Regional District (only low interest rates improve affordability at the present time) and made the construction of new rental accommodation uneconomic for reasons stated earlier.

4.3.1 Land Costs

The following table identifies the range of typical prices for small single-detached serviced lots, as well as, the cost per unit for serviced town house and wood-frame apartment parcels in each of the Capital Regional District municipalities.

Table 1: Serviced Residential Land Costs

<i>Municipality</i>	<i>Single-detached (Small lot or acreage)</i>	<i>Townhouse</i>	<i>Low Rise apartment</i>
Victoria	\$90,000- \$150,000	\$30,000- \$80,000	\$20,000-\$60,000
Saanich	\$100,000-\$160,000	\$45,000-\$85,000	\$12,000-\$17,500
Oak Bay	\$150,000-\$190,000	\$40,000-\$100,000	\$40,000-\$100,000
Esquimalt	\$80,000-\$120,000	\$21,500	N/A
Langford	\$85,000-\$110,00	\$22,500-\$28,000	N/A
Colwood	\$80,000-\$160,000	N/A	N/A
Metchosin	\$125,000-\$165,000	N/A	N/A
Highlands	\$100,000	N/A	N/A
View Royal	\$50,000-\$130,000	N/A	N/A
Sooke	\$62,000-\$80,000	\$23,100	N/A
Sidney	\$105,000-\$115,000	\$40,000-\$50,000	\$27,400-\$30,000
North Saanich	\$150,000	N/A	N/A
Central Saanich	\$110,000-\$120,00	\$40,000-\$50,000	N/A

* Source: BCAA, 2002 and BTY Group and Helyar & Associates – Quantity Surveyors

4.3.2 Land Supply

Representatives of the local building industry have indicated in interviews and focus groups for this project that the availability of single-detached and multiple-family lots in the City of Victoria, Oak Bay and Esquimalt is very limited and that new construction is primarily restricted to the redevelopment of older properties and infilling. In some of the rural-based parts of the region the opportunity for multiple-family development is very limited or non-existent.

More than one-half of the 622 single-detached housing starts in the CRD during the first eight months of 2002 were in Saanich, Langford and View Royal.

Table 2: CRD Housing Starts January – August 2002

Municipality	Singles	Semi	Row	Apartment	Total
Capital HRDA*	27				27
Central Saanich	42		7		49
Colwood City	18				18
Esquimalt	34	2			36
Highlands	16				16
Indian Reserves	1				1
Langford	130	4		28	162
Metchosin	21				21
North Saanich	32				32
Oak Bay	9				9
Saanich	148	7	16		171
Sidney	10	10	24	3	47
Sooke	31				31
Victoria	31	16	9	73	129
View Royal	72	1			73
Total	622	40	56	104	822
% Of total	75.67%	4.87%	6.81%	12.65%	

Source: CMHC Victoria (*Rural Area west of Sooke (Shirley, Otter Point) excluding District of Sooke)

The data shown in Table 3 below is taken factually from the B.C. Assessment Authority data base. The parcels that have been identified are defined as “vacant” land with no improvements. However, the absence of a clear definition of “vacant” land results in inconsistencies. The data requires further detailed analysis and clarification. It is suspected for example that some of the parcels are actually land held for municipal parks and road allowances that would not be available for future residential development.

Given this however, the preliminary and unedited data provided by the B.C. Assessment Authority suggests there could be up to 29,000 acres of vacant residential land in the CRD that might be available for future development.

It is important to note that almost 40% of the identified vacant residential land is in the “Rural Victoria” area, and as such may not even be developable. This means that there is likely only about 18,000 acres of vacant residential land available for future development over the next fifty years, most of it located in Langford, North Saanich, Sooke, Metchosin and Highlands.

It is not a surprise that the preliminary survey identified very little vacant residential land in Sidney, Esquimalt, Oak Bay and Victoria.

Another regional source of information on residential capacity is the Urban Capacity Inventory. This set of information looks at potential capacity for dwelling units and not the actual land (see Section 8.0 Emerging Issues and the Future – Forecast Trends).

Table 3: Vacant Residential Land in the CRD

Municipality	# of parcels	# of acres	% of acres
Colwood	175	326.5	1.11%
Victoria	251	49.3	0.17%
Central Saanich	167	397.7	1.36%
Highlands	85	2,181.5	7.45%
Langford	434	5,468.6	18.67%
Metchosin	126	2,608.8	8.91%
North Saanich	310	3,148.4	10.75%
Oak Bay	181	50.9	0.17%
Saanich	696	704.8	2.41%
Sooke	257	3,141.4	10.73%
Sidney	31	8.9	0.03%
View Royal	161	178.5	0.61%
Esquimalt	65	18.6	0.06%
Victoria Rural	435	11,002.5	37.57%
Tsawout First Nation	1	0.08	0.00%
Total	3375	29,286.48	

*Source: BCAA data, 2002

4.3.3. Hard Construction Costs

The direct labour and material component costs of a modest single-detached unit, or hard costs, typically represent less than 50 percent of the unit's total costs, including land. In the case of either a town house or a wood-frame apartment project, the hard costs usually account for 50 to 60 percent of the total costs.

The following table provides an idea of the cost of construction on a square foot basis for single-detached, town house and wood-frame apartment units in the CRD:

Table 4 - Typical Construction Costs (per square foot)

Housing form	Modest	Typical	High-end
Single-detached	\$70-80/sq. ft.	\$80-95/sq. ft.	\$95-140/sq. ft.
Row house	\$63-67/sq. ft.	\$68-72/sq. ft.	\$80-85/sq. ft.
Apartment Wood-frame		\$65-70/sq. ft.	\$70-80/sq. ft.
Apartment High-rise		\$110-130/sq. ft.	\$125-135/sq. ft.

* Source: BTY Group and Helyar & Associates – Quantity Surveyors

The data gathered suggests that the construction costs for a modest, three-bedroom single-detached house with 1,400 square feet should be in the range of \$98,000 to \$122,000 and that an average 1,200 square foot town house would cost between \$81,600 and \$86,400 to build in the CRD area.

4.3.4 Soft Costs / Other Costs

Soft costs are usually not part of the actual physical construction but they are, nevertheless, an important part of the residential building process. They can typically add up to about 10 percent of the total costs for a single-detached house, 15 percent for a row house and 20 percent for a wood-frame apartment unit. Soft costs include things like soil tests, legal fees, building permits, bonding, insurance, architectural or design fees, engineering fees, interest during construction, marketing expenses and warranty costs.

By way of an example, the following table provides a summary of the projected soft costs per unit for a proposed town house project in Saanich.

Table 5 - Project Soft Costs (Town house)

Town house	Soft costs / unit
Transfer taxes	\$517
Legal fees	208
Environmental assessment	50
Building permit & development charges	3,333
Interest during construction	3,164
Taxes during construction	133
Insurance	166
Soil tests	42
Lender's fees	65
Architectural & engineering fees	4,000
Warranty fees	750
Valuation fees	42
Home Protection Office fee	25
Audit	33
Bonding	1,000
First year's vacancy loss	2,000
Marketing	165
Maintenance & office equipment	108
Quantity surveyor	42
Mortgage insurance premium & fees	3,500
Total soft costs per unit	\$19,343

* Source: Capital Region Housing Corporation and Cottage Grove Developments Ltd. (2002)

In addition to the project soft costs, there are municipal charges such as building permits, connection charges and development cost charges that vary throughout the CRD and can, in some cases, add considerably to the cost of development. These are discussed further in section 4.5 Local Government Charges. The following table provides a brief comparison of some of the municipal charges paid by a builder in the CRD for a single-detached unit with a \$147,000 construction cost.

Table 6: Municipal Fees and Charges (single-detached unit)

Municipality	Development cost charges	Development permits	Building permits	Connection charges
Esquimalt		\$100	\$1,850	\$5,000
Oak Bay		\$200	\$1,735	\$4,920
Saanich	\$1,726 - \$23,366	\$475	\$1,831	\$5,120
Victoria	\$365	\$200	\$1,867	\$5,440
Central Saanich	\$4,629	\$250	\$1,965	\$6,540
North Saanich	\$2,754	\$300	\$1,937	\$1,300
Sidney	\$3,723	\$350	\$1,844	\$4,550
Colwood	\$5,777	\$375	\$1,684	\$1,800
Highlands		\$250	\$2,940	
Langford	\$5,840	\$2,500	\$1,708	\$1,500
Metchosin	\$1,848	\$250	\$1,694	\$1,500
Sooke	\$1,848	\$500	\$1,862	\$1,500
View Royal	\$11,329	\$1,900	\$1,764	\$1,500

* Survey of CRD municipalities 2002

4.3.5 Total Construction Costs

What are the implications of the incremental impact of the various costs? Based on the information that is available, the table below provides a range of estimated total costs, including land, for a modest single-detached, a town house and a wood-frame apartment unit in each of the communities within the CRD. The range of costs is based on three components: land cost data from BC Assessment Authority on the range and average price; hard construction cost data from quantity surveyors on the high to low range for modest housing in each jurisdiction; and, a range of soft costs for each dwelling type.

Table 7: Estimated Total Construction Costs

Municipality	Single-detached (Small lot or acreage)	Townhouse	Low Rise apartment
Victoria	\$206,800-288,200	\$128,340-191,360	\$84,600-138,00
Saanich	\$217,800-299,200	\$145,590-197,110	\$76,700-88,3400
Oak Bay	\$272,800-332,200	\$139,840-214,360	\$109,000-186,800
Esquimalt	\$195,800-255,200	\$118,565-124085	-
Langford	\$201,300-244,200	\$119,715-131,560	-
Colwood	\$195,800-299,200	-	-
Metchosin	\$245,300-304,700	-	-
Highlands	\$217,800-233,200	-	-
View Royal	\$162,800-266,200	-	-
Sooke	\$176,000-211,200	\$120,405-125,925	-
Sidney	\$223,300-249,700	\$139,840-156,860	\$95,900-103900
North Saanich	\$272,800-288,200	-	-
Central Saanich	\$228,800-255,200	\$139,840-156,860	-

Source: BCAA, 2002 and BTY Group and Helyar & Associates – Quantity Surveyors

4.3.6 New Construction and Implications for Affordability

The cost of new construction has an impact across the full range of housing options, including home ownership and rental accommodation. Readers should note the ensuing affordability discussion relates to the more detailed review of affordability issues in Section 7.0 Affordability.

Homeownership

If one accepts that a new house could be purchased at the average of the range identified for single-detached total construction costs (Table 7) and that mortgage rates of 5%³ are available, then the minimum eligible family income for new single-detached homeownership based on a 95% loan and a 32% gross debt service ratio could be as low as \$55,000 - \$60,000 in some areas of the region, such as Sooke, View Royal and Highlands.

Table 8: Affordability of Single-detached Housing

<i>Municipality</i>	<i>Purchase price*</i>	<i>95% first mortgage at 5% / 25 yrs.</i>	<i>Principle & interest per month</i>	<i>Taxes (Local mill rate)</i>	<i>Utilities (CMHC)</i>	<i>Monthly PIT & utilities</i>	<i>Minimum family income** (32% GDS)</i>
Victoria	\$247,500.00	\$244,107.19	\$1,427.03	\$218.72	\$144.00	\$1,789.75	\$67,115.45
Saanich	\$258,500.00	\$254,949.06	\$1,490.41	\$199.99	\$144.00	\$1,834.40	\$68,789.85
Oak Bay	\$302,500.00	\$298,316.56	\$1,743.93	\$244.37	\$144.00	\$2,132.30	\$79,961.24
Esquimalt	\$225,500.00	\$222,423.44	\$1,300.27	\$191.95	\$144.00	\$1,636.22	\$61,358.09
Langford	\$222,750.00	\$219,712.97	\$1,284.42	\$172.45	\$144.00	\$1,600.87	\$60,032.77
Colwood	\$247,500.00	\$244,107.19	\$1,427.03	\$157.82	\$144.00	\$1,728.85	\$64,831.91
Metchosin	\$275,000.00	\$271,211.88	\$1,585.48	\$182.03	\$144.00	\$1,911.50	\$71,681.42
Highlands	\$225,500.00	\$222,423.44	\$1,300.27	\$162.44	\$144.00	\$1,606.70	\$60,251.27
View Royal	\$214,500.00	\$211,581.56	\$1,236.88	\$110.76	\$144.00	\$1,491.64	\$55,936.56
Sooke	\$194,600.00	\$191,967.63	\$1,122.22	\$135.38	\$144.00	\$1,401.61	\$52,560.28
Sidney	\$236,500.00	\$233,265.31	\$1,363.65	\$198.14	\$144.00	\$1,705.78	\$63,966.91
North Saanich	\$280,500.00	\$276,632.81	\$1,617.17	\$150.09	\$144.00	\$1,911.26	\$71,672.17
Central Saanich	\$242,000.00	\$238,686.25	\$1,395.34	\$197.24	\$144.00	\$1,736.58	\$65,121.63

*Average of range referred to in Table 7

**Minimum family income is based on 32% gross debt service ratio.

In the areas of the region where most of the single-detached development is occurring, Langford and Saanich, the minimum family income needed for a modest 1,400 square foot new single-detached house would be in the range of \$60,000 to \$69,000.

³ For purposes of assessing the current level of affordability, a homeownership mortgage interest rate of 5% has been used. Since interest rates are currently at a 40-year low, the level of affordability in the future could be significantly reduced.

Homeownership affordability is very sensitive to changes in market interest rates. An increase in current level rates, which are at a forty year low, by even a couple of percentage points would have a profound impact on affordability. For example, if mortgage interest rates were to increase by only 1 1/2 % to 6.5 %, the minimum eligible family incomes in Table 8 would be increased by at least ten percent. This would increase the minimum household income needed to purchase a modest single-detached unit to between \$69,000 and \$77,000 even though the cost of construction had not changed.

Rental Accommodation

The construction of new private rental accommodation is no more financially feasible in the CRD than it is in the rest of Canada. Even with today's historically low interest rates, the total construction costs including land would have to drop by up to 30% in order to make new rental accommodation an attractive financial investment.⁴

Alternatively, market rents would have to increase by 10 to 30% before the development industry could begin to respond to the need for new rental units in the CRD. Rents for a three-bedroom townhouse would have to go up by at least \$300 and rents for a one-bedroom wood-frame apartment would have to increase by more than \$150 per month.

The following table provides an estimate of the level to which rents would have to rise in order to make new rental accommodation financially viable, as well as, the impact of such increases would have on housing affordability for tenants in the CRD.

⁴ An interest rate of 4.5% is being used to assess the level of rental housing affordability. Since interest rates are currently at a 40-year low, the degree of new rental affordability is likely to be significantly severe.

Table 9 – Rental townhouse and apartment affordability at 4.5% mortgage rates

Municipality	Town house total costs per unit.	Required rent per month (3-bedroom) @ 4.5% mortgage rate	Minimum family income (30%)	Wood-frame apartment total costs per unit. (42 one-bed & 18 two-bed units)	Required rent per month (1-bedroom) @ 4.5% mortgage rate	Minimum family income (30%)
Victoria	\$170,570	\$1,350	\$54,000	\$105,844	\$790	\$31,600
Saanich	\$181,646	\$1,425	\$57,000	\$88,970	\$690	\$27,600
Oak Bay	\$187,250	\$1,470	\$58,800	\$128,197	\$910	\$36,400
Esquimalt	\$128,047	\$1,075	\$43,000			
Langford	\$135,257	\$1,125	\$45,000			
Colwood						
Metchosin						
Highlands						
View Royal						
Sooke	\$129,715	\$1,075	\$43,000			
Sidney	\$154,065	\$1,250	\$50,000	\$105,763	\$780	\$31,200
North Saanich						
Cen. Saanich	\$154,065	\$1,250	\$50,000			

If market interest rates for rental loans increase by only two points from 4.5% to 6.5%, the rent level required to make a new project feasible would rise by a further 15%. In Victoria, the rent for a new townhouse would have to be in the area of \$1550 per month and the rent for a one-bedroom apartment would have to be about \$910 per month. The minimum family incomes needed for such accommodation would be \$62,000 and \$36,400 respectively.

4.4 Understanding the Challenge of Providing Rental Accommodation for Lower Income Households

Although the affordability of housing in the Capital Regional District is of concern to almost all segments of the community, its availability has the greatest impact on those who cannot access home ownership and have to depend on the rental market for their shelter.

The supply and cost of new rental accommodation is therefore fundamental to improving housing affordability aimed at meeting the current and future needs of the community.

A review of an actual proposal for the development of a sixty-unit town housing project provides some insights into the financial problems associated with construction of affordable family rental accommodation in the region. The proposal outlined in Appendix A was actually considered by the Capital Region Housing Corporation in the past year but the construction costs and most of the operating income figures are equally applicable to a private investor / developer. Readers interested in gaining a better understanding of the challenge are referred to Appendix A.

4.5 Local Government Charges

Over the last decade provincial governments have downloaded many responsibilities to local governments, including greater responsibility for infrastructure provision. This has not always been accompanied by sufficiently increased transfer payments. Faced with the need for revenue, and wanting to constrain increases in the property taxes of existing residents, local governments often opted for a user pay policy in the form of development cost charges or levies on new residential development to cover servicing costs. The recently revised "Development Cost Charge Best Practices Guide" in British Columbia suggests, "Local governments have to take into account whether the proposed DCCs will: be excessive in relation to the prevailing standards of service; deter development; or, discourage the development of reasonably priced housing or reasonably priced serviced land."⁵

Findings from the local government survey of the fourteen jurisdictions in the CRD indicate the following:

- Jurisdictions throughout the Capital Region impose a wide range of development fees and charges. Their identification and calculation is complex and time consuming. Some 20 different sets of the main fees and charges impacting on development costs and levied by each of the fourteen local governments have been identified, i.e. 14 times 20 variations in charges.
- Additional charges are often added to the base fee – this varies by jurisdiction.
- In addition to the main fees and charges identified in CRD municipalities, there are a considerable number of 'others'. These vary by jurisdiction. There is little consistency amongst jurisdictions in the Region, even in the same part of the Region, in terms of the costs charged and in how costs are calculated, costs can fall in the low, mid, or high range. For almost every fee and charge the cost

⁵ BC Ministry of Municipal Affairs, Growth Strategies office, Municipal Financial Services, "Development Cost Charge Best Practices Guide", BC Ministry of Municipal Affairs, Growth Strategies Office, Municipal Financial Services, revised October, 2000, p.8.

varies by jurisdiction; there is not even consistency amongst jurisdictions in the same part of the Region.

- Charges may be levied regionally, locally, and/or by other bodies – and for different purposes.
- Changes in charges occur frequently requiring continual updating of information.
- In addition to the local government charges and ‘other’ fees, there are provincial and federal sales taxes, transaction costs and other costs paid by builders in producing new homes. Other less readily quantifiable costs incurred by builders and developers include those related to a lengthy land development and development permit application approval process, or to contentious building and land development requirements (including contaminated lands regulatory requirements), and fees charged by utilities.

4.6 Perceptions from the Community

The following are observations by stakeholders representing industry, local government agencies, clients, community groups and the public in a series of focus groups and Workshop #1.

- “Two things to make housing more affordable: make units smaller and get governments to lower fees/cut taxes - actual construction costs are not going to change.”
- “New housing construction is not affordable – labour shortages pushing up costs, plus consultation with neighbourhood associations/NIMBY can increase costs significantly, e.g. \$1M. on one project – but elected officials not doing anything about it”.
- “Typical rent is \$0.90 per sq.ft. per month; and with cost of new construction at \$1.50 per sq.ft. new rental construction is not feasible - can’t make the numbers work & rents are about to go up dramatically.”⁶
- “The level of fees may not be the real problem –a few dollars are nothing compared to the carrying costs incurred by a lengthy approval process.”
- “In some municipalities, it can take up to 2-3+ years for the approval for low-end market and affordable housing, with a significant impact on carrying cost. It is therefore important to know who’s speedy and who’s slow.”
- “The problem may not be DCCs by themselves, but the other added-on costs that are often confused with DCCs.”
- “How to pay for renewal of aging infrastructure and/or additional capacity with redevelopment (e.g. Harris Green) may be significant issues in some municipalities.”
- “There is no homogeneity with regards to attitudes to development across municipalities in the CRD.”
- “Land so expensive; little available”.
- “What kind of community are we going to create if we keep going as we are going?”
- “What we have to do is to translate (information/data) to local level to inform councillors and decision-makers.”

⁶ While there may be upward pressure on rent increases, it will be within the constraints of the market and renters’ incomes.

4.7 Key Findings and Conclusions

Economic Viability of Residential Construction : A developer / investor has control over less than two-thirds of the total construction costs. Land costs represent almost 20 % and various fees, including building permits and development cost charges, represent about 17.5 % of the total project costs. With residential construction costs being basically the same across Canada, the variables affecting viability include land cost, processing time, fees (DCCs and other charges), number of additional services involved, additional off-site charges and in some cases costs related to site contamination. Already high land costs in the Region will be further exacerbated by the diminishing supply of land. There is also concern that the low rental vacancy rate, coupled with changes to the Residential Tenancy Act, will force a 'dramatic increase' in rents (due to data lags it is not possible at this time to reinforce this anecdotal evidence). Currently, market rent (\$0.90) levels are \$0.60 per sq. ft. below economic rent (\$1.50), and industry stakeholders feel that on average a \$175/unit increase is necessary to make construction of rental housing attractive. The combination of high land costs and substantial fees and charges means that the industry finds it difficult to produce lower cost market housing.

Processing Time: Processing time has cost implications and is affected by: the opportunity for fast-tracking the development application, the streamlining of the approval process, the nature of the public process, and regulatory requirements.

Public Process: The RGS policies encourage infill and densification, but when confronted with this reality there is large degree of resistance across the Region on the part of resident homeowners to protect the status quo and low density neighbourhoods. To varying degrees, this in turn is reinforced in the planning and development principles supported by local Councils. Public process is a necessary part of the approval process, but where it is lengthy and inefficient it can have a significant, negative impact on cost.

Unit Size: Local homebuilders find it difficult to build new housing units that are affordable in the current Greater Victoria area market. While there are some opportunities for niche products – work/live projects or small (350sq feet) units, construction of these more affordable units for service workers and lower income residents is hampered by regulatory requirements. The private market could rent units (loft style) for \$550/month, and with the appropriate zoning changes the private sector indicated in focus groups that it would build. Space is not the issue, the private sector is doing a lot of small space design, e.g. in Vancouver.

Jurisdictional Complexity. Fourteen different jurisdictions in the Capital Region pose the issue of not only the varied complexity of regulatory structures but also a wide range of development fee structures. The complexity arises from the number of fees and charges combined with the number of additional associated or related fees and charges, across 14 different jurisdictions and all varying by individual jurisdiction with no sub-regional (Core, Peninsula, Western Communities) pattern as to how costs are calculated.

5.0 Housing Stock and Supply in the Capital Region

5.1 Overview

What comprises the housing stock in the Region in terms of type, price range, etc.? The 1996 Census counted 129,350 dwelling units in the Victoria Census Metropolitan Area (CMA); 48,930 rented and 80,420 owned.⁷

In terms of supply, we need to look at the income levels of renter and owner households.

Table 10: Owner and Renter Households by Municipality, 1996

	# of Renter Hhlds	Average Income	# of Owner Hhlds	Average Income	Total Hhlds	Average Income, All Hhlds
Victoria CMA	48,930	\$32,562	80,390	\$61,104	129,320	\$50,300
Esquimalt	3,930	\$32,892	3,420	\$50,224	7,350	\$40,959
Oak Bay	2,130	\$37,774	5,575	\$78,947	7,705	\$67,563
Saanich	10,755	\$34,305	28,940	\$65,214	39,695	\$56,841
Victoria	24,290	\$29,789	14,075	\$53,606	38,365	\$38,528
Central Saanich	995	\$41,423	4,440	\$67,048	5,435	\$62,343
North Saanich	460	\$45,831	3,455	\$73,444	3,915	\$70,196
Sidney	1,365	\$35,562	3,620	\$48,560	4,985	\$45,001
Colwood	1,195	\$42,649	3,490	\$60,957	4,685	\$56,296
Highlands	80	\$36,649	415	\$64,554	495	\$60,177
Capital Subd. B	20	\$31,524	190	\$73,607	210	\$69,372
Langford	1,380	\$33,294	5,015	\$54,966	6,395	\$50,295
Metchosin	250	\$40,977	1,275	\$66,799	1,525	\$62,565
Capital Subdivision C	845	\$29,936	3,540	\$50,133	4,385	\$46,232
Capital Subdivision D	15	na	80	na	95	na
View Royal	910	\$38,876	1,670	\$54,673	2,580	\$49,111
Capital Subdivision A	1,275	\$23,853	4,740	\$49,749	6,015	\$44,263

Note: Median income not available. Incomes are in 1995 dollars.

5.2 Rental Stock

The rental stock in 1996 was distributed as shown in the following table.⁸ Note that the total in the table is slightly larger than the total indicated in the preceding paragraph. As social housing is rental stock, units built prior to 1996 are included in the rental housing data discussed in this section; social housing units built subsequent to 1996 are not included.

⁷ Note that it is very common for different tables from the Census to contain slightly different numbers for the same thing.

⁸ The source of the data in this table was a special series of cross-tabulations provided by the former Housing Ministry.

Table 11: Rental Stock by Type, 1996

Rental stock by type, 1996		
		%
High rise	4,565	9
Low rise	25,040	50
Townhouse	3,675	7
Duplex/secondary suite	7,240	14
Single detached	9,280	18
Total renter households	49,800	99

The fact that more renter households live in single detached dwellings than in secondary suites and duplexes is somewhat surprising. More than half the rented single detached dwellings are in Saanich and Victoria (2,785 and 1,610 respectively), as are more than half the secondary suites.

This count of secondary suites is far lower than most other estimates, which range as high as 20,000.⁹ It is not clear why there should be such a divergence in the counts. Households completing the Census form are asked to choose one of a number of possibilities for their living arrangements, "suite in a house" being one of them. It is conceivable that some households living in a secondary suite might have chosen "single detached house" instead of "suite in a house" although it is difficult to believe that thousands of them would have done so. Data from the 2001 Census may shed some light on this issue.

⁹ Some observers estimate that one in five single detached dwellings contains a secondary suite, which would imply a total of $76,385/5=15,277$ secondary suites. Rob Hunter of Devon Properties, one of the largest property management firms in Victoria, estimates that the count could go as high as 20,000.

The proportion of rental stock varies greatly by municipality, ranging from Victoria's 65.2% to North Saanich's 12.1%.

Table 12: Renter Households as a Percentage of Total, 1996

**Renter Households as
% of total, 1996**

C.Saanich	19.1
Colwood	25.2
Esquimalt	54.6
Highlands	17.8
Langford	22.9
Metchosin	18.8
N. Saanich	12.1
Oak Bay	28.8
Saanich	30.1
Sidney	28.2
Victoria	65.2
View Royal	35.9
Sooke	21.6

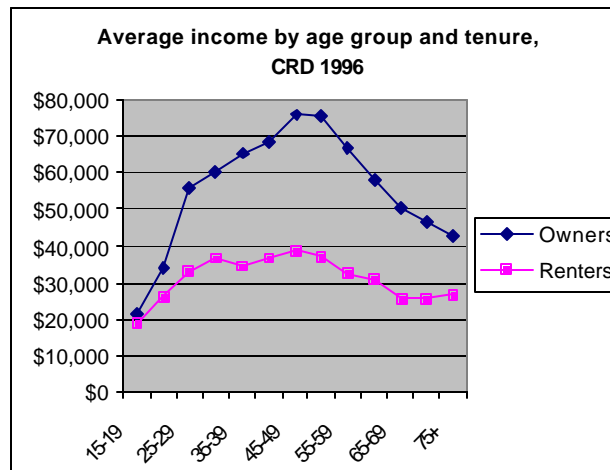
Table 13 : Distribution of CMHC Rental Market Universe by Rent Level

Rent (\$s/Mo)	Bach		1 Bed		2 Bed		3 Bed	
	No.	%	No.	%	No.	%	No.	%
0-399	214	8.1	39	0.3	-	0.0	0	0.0
400-499	1,377	52.1	895	6.5	38	0.5	0	0.0
500-549	806	30.5	2,722	19.8	76	1.1	0	0.0
550-599	187	7.1	4,306	31.3	289	4.0	0	0.0
600-649	26	1.0	3,055	22.2	635	8.8	48	5.7
650-699	21	0.8	1,306	9.5	1,627	22.7	16	1.9
700-749	13	0.5	828	6.0	1,672	23.3	40	4.8
750-799	-	0.0	372	2.7	1,106	15.4	79	9.4
800-849	-	0.0	149	1.1	463	6.5	133	15.8
850-899	-	0.0	41	0.3	544	7.6	124	14.8
900-949	-	0.0	17	0.1	195	2.7	127	15.1
950-999	-	0.0	11	0.1	197	2.7	59	7.0
1000-1099	-	0.0	-	0.0	91	1.3	37	4.4
1100-1199	-	0.0	-	0.0	114	1.6	120	14.3
1200-1299	-	0.0	-	0.0	104	1.4	32	3.8
1300-1399	-	0.0	17	0.1	-	0.0	25	3.0
1400-1499	-	0.0	-	0.0	-	0.0	0	0.0
1500+	-	0.0	-	0.0	27	0.4	0	0.0
total	2,644	100.0	13,758	100.0	7,178	100.0	840	100.0
Avg	\$482		\$592		\$752		\$920	

The relationship of these rent levels to the incomes of renters is what determines the overall affordability of the rental stock, at least the part of the rental stock tracked by CMHC.¹⁰

In general, renters have lower incomes than owners, partly because they are younger and partly because they are more likely to live in one-person households.

Figure 3 : Average Income by Age Group and Tenure CRD 1996



Source: 1996 Census

5.3 Ownership Stock

We do not have the same level of detail on the ownership stock as we do on the rental stock. Available data indicate that 75% of the owned dwelling units in the CMA are single detached.

Table 14: Ownership Stock by Type, Victoria CMA, 1996

<i>Type of Unit</i>	<i>No.</i>	<i>%</i>
Single detached	59,985	75
Other ground oriented (eg row houses)	9,740	12
Non ground oriented (apartments)	10,665	13

The number of households in a market area who could afford to buy if they wanted to is often used as a measure of affordability. The ability to buy a house depends on many things including the cost of housing, household incomes, mortgage rates, and operating costs (utilities, taxes, condo fees, etc). Usually, these types of measurements are based

¹⁰ CMHC's Rental Market Survey covers about half the rental stock in the Victoria metropolitan area.

on median household incomes rather than average incomes in order to avoid distortions caused by extremes at either end of the scale.

In 1999, the median income of economic families in the Victoria metropolitan area was \$56,986. Average weekly wages and salaries in BC increased by 6% between 1999 and 2002. Assuming that median income also increased by 6% and is now \$60,405, a family earning that level of income could afford to pay approximately \$289,000 for a home, assuming 10% down, an amortization period of 25 years, a mortgage rate of 5.5%, and a gross debt service ratio of 32%.

In the first six months of 2002, the percentage of homes sold on the Multiple Listing Service in Victoria below \$289,000 was as follows:¹¹

Single Family Homes	70.8%
Townhouse & Duplex	87.0%
Condominium	95.4%

5.4 Social Housing Stock¹²

There are just over 7,000 units of social housing in the Capital Regional District, distributed as follows:

Table 15 : Distribution of Social Housing Units in the CRD

	Family	Mixed	Seniors	Seniors With Care	Sp. Needs	Singles	Total
Victoria	1,379	266	809	198	405	88	3,145
Oak Bay			331	50	14		395
Esquimalt	92		158		80		330
View Royal	183				12		195
Colwood	106		50		37		193
Langford	106		30				136
Sooke	30		28		8		66
Saanich	1,066	160	597	38	406		2,267
Central Saanich			79		34		113
North Saanich	24				9		33
Sidney	21	43		10			74
Total	3,007	469	2,082	296	1,005	88	6,947

¹¹ Note that this measurement is somewhat inexact because the VREB data are published in ranges, not as exact numbers. For example, we know that 128 of the single family homes sold in 2001 sold for between \$320,000 and \$339,000 but we do not know the exact sale prices of those 128 homes.

¹² As social housing is rental stock, units built prior to 1996 are included in the rental housing data; social housing units built subsequent to 1996 are not included.

In addition, there are 167 units under construction or committed, most of them intended for seniors.

5.5 Secondary Suites Activity Across the CRD - An Overview

A secondary suite is a second self-contained unit in a building that is typically a single family home. These rental units include basement apartments, apartments in houses, accessory apartments, in-law suites and “illegal” suites.

While secondary suites are a major component of the housing stock in the Capital Region, there is no credible data source for the overall number of units available. This is because there are both legal and illegal suites, some jurisdictions not permitting this housing type. Eight municipalities permit suites and 6 do not. Safe, legal suites provide an affordable housing option, but where single family zoning restricts their use, homeowners rent illegal, and in some cases unsafe and unhealthy, suites. In 1997, the Lower Vancouver Island Housing Coalition provided a forum for collaboration on the legalization of secondary suites in the Region. The result was a Guide and Model Regulations that could be tailored to the needs of municipalities. Also in 1997, the Tenants' Action Group of Greater Victoria produced a report “Secondary Suites: Facts and Choices” that looked at issues in the Core municipalities and outlined municipal options. In 1998, the Sidney Advisory Committee on the Disabled completed a demonstration project and public information program on adaptable secondary suites, and proceeded to prepare “Guidelines for Adaptable Housing”, a handbook on adaptable secondary suites. The Capital Region Housing Corporation over the last decade has given attention secondary suites as a option to improve housing affordability, including discussion papers and a workshop.

The economic benefits of secondary suites include: more efficient use of existing municipal services; intensification of land use B less impact on green space and farm land; increased revenue (through taxes) for municipalities; increase supply of affordable housing through the private market; security and supplemental income to enable the elderly to continue to live independently in their own homes; and, a source of revenue in high cost housing markets to help improve housing affordability for homeowners. Socially and from a quality of life perspective, some renters prefer the residential neighbourhood ambience that living in secondary suites that are ground oriented with access to a garden area provides.

A 1995 report by the Tenants' Rights Action Coalition (TRAC) estimated there were approximately 100,000 secondary suites in the province, and indicated this was

approximately 20% of the existing rental supply.¹³ According to the 1996 Census there were 6,795 duplex/secondary suite units (14% of rental stock) six years ago in the CRD. If we use the TRAC approach to estimate then the number would be in the order of 10,000 suites. Estimates provided by other observers range from 15,000 to a high of 20,000.¹⁴

5.6 Recent Housing Market Activity

Between 1996 and 2001, just under 7,000 dwelling units were started in the Victoria CMA (this assumes roughly half the starts in 1996 occurred after the Census was conducted in June) . Only 714, or about 10%, were rental units.

Table 16: Starts by Tenure, Victoria CMA, 1994-2001

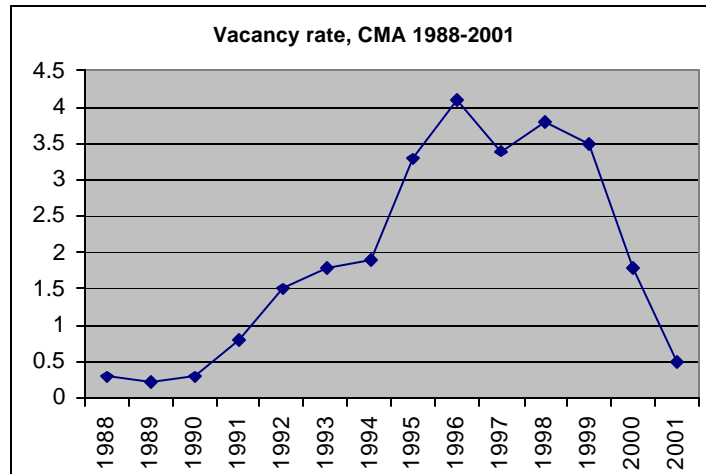
	Apt condo	Apt rental	Row condo	Row rental	Single & semi	Total
1994	1,085	76	195	62	885	2,303
1995	589	43	135	6	526	1,299
1996	259	75	114	6	688	1,142
1997	326	40	103	67	775	1,311
1998	203	50	88	22	601	964
1999	566	45	131	8	598	1,348
2000	174	19	76	1	602	872
2001	85	421	64	-	694	1,264
Total	3,287	769	906	172	5,369	10,503

Partly as a consequence of limited construction activity, vacancy rates in the Victoria rental market have plunged in recent years.

¹³ "Secondary Suites: A Call for Safe and Legal Housing", Tenants Rights Action Coalition, 1995.

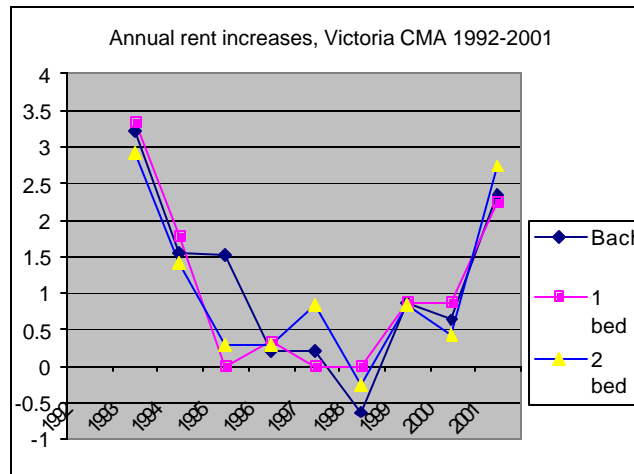
¹⁴ Some observers estimate that one in five single detached dwellings contains a secondary suite, which would imply a total of $76,385/5=15,277$ secondary suites. Rob Hunter of Devon Properties, one of the largest property management firms in Victoria, estimates that the count could go as high as 20,000.

Figure 4: Vacancy Rate, Victoria CMA 1988-2001



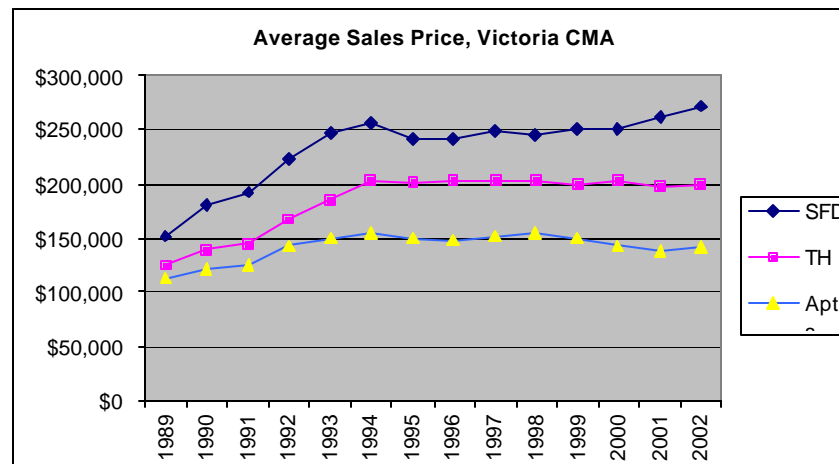
In response to declining vacancy rates, rents are increasing.

Figure 5: Annual Rent Increases, Victoria CMA 1992-2001



In the homeownership market, prices are starting to increase too.

Figure 6: Average Sales Price, Victoria CMA



5.7 Perceptions from the Community

The following are observations by stakeholders representing industry, local government agencies, clients, community groups and the public in a series of focus groups and Workshop #1.

- the private market could rent units (loft style) such as those in Mike Gidora Place for \$550/month
- Coast Capital willing to loan 100% of project costs, if adds to affordable housing stock
- VIHA has negotiated a package deal with the private sector for renting a large number of rooms for the hard to house, including complete buildings; this achieves economies of scale (savings of up to \$100,000) by administering rents through VIHA. The approach provides housing for lower income persons by passing on the savings.
- There are high numbers on social housing wait lists - the onus is on the individual to keep in touch with the housing providers. Pacifica noted it has re-worked its system so that families on wait list for a while get compensatory points.
- Given the strong market, landlords are selling houses and they are no longer available for rent.
- Why would developers want to switch from condos to rentals when condos offer immediate return?
- Some NP Housing Society Boards have concerns about jeopardizing the transparency of the society/agency, given mandates to help those in poverty. As a result, the Boards will only consider subsidized housing and are not prepared to get involved in developing low-end of market. It was noted that this is because of concerns over placing assets at risk financially, in one case. However, the comment was made that mandates vary.
- There is as an inconsistency between the damage deposit payment and shelter payment, currently the damage deposit goes to landlord and shelter payment to client and this causes problems (clients cannot access accommodation as they have no damage deposit money).
- There is a need to understand the opportunities and restrictions stemming from the Residential Tenancy Act and Strata Act.

5.8 Key findings/conclusions

The 1996 Census counted 129,350 dwelling units in the Victoria Census Metropolitan Area (CMA); 48,930 rented and 80,420 owned.

About half the rental stock is composed of low rise and high rise apartments; the other half of single and semi-detached dwellings, row houses, secondary suites, and other low density housing forms.

There are 7,000 social housing units in the CMA, or about 5% of the total housing stock.

Very little new rental construction has occurred in Victoria in recent years. Partly as a result, the current vacancy rate is only 0.5%, the lowest in Canada, and rents are increasing at double the rate of inflation.

Single detached houses account for 75% of the ownership stock.

Sales and prices are increasing in the ownership market as well.

The most affordable component of the ownership stock is apartment condominiums.

6.0 Local Initiatives

6.1 Local government initiatives

Following are summary findings from a survey completed in July 2002 by the fourteen jurisdictions in the region regarding local government policy, legislative and regulatory initiatives with implications for housing affordability. The results of the survey are summarized in the following matrices. This is the first time such a comprehensive set of information has been compiled regionally.

CRD – HOUSING AFFORDABILITY STRATEGY
Local Government Policy, Legislative and Regulatory Matrix Summary Analysis

		CRD		CRD	
		Yes	No	Yes	No
HOUSING POLICY					
<p>■ Definitions – Do you use/have definitions that pertain to affordability?</p>					
Affordable	6	8		13	1
Special Needs	5	9		10	4
Inclusionary Zoning	2	12		3	11
Other	0	14			
<p>■ Others – Do you have any other documents re: affordability?</p>					
Housing Strategies	0	14		3	4
Housing Needs	2	12		2	5
Housing Guidelines	1	13		1	6
Res. Design Guidelines	6	8			
Special Needs	0	14			
Homelessness	1	13			
Other	1	13			
REGULATORY AND PLANNING TOOLS					
<p>■ Zoning – Do you provide for/permit and/or does your Zoning Bylaw include any of the following?</p>					
Density Bonusing	7	7		7	7
Range of Hsg. Types	10	4		8	6
Div. of Tenure Types	6	8		3	11
Pre-zoning for multi-family	5	9		9	5
Comprehensive Dev.	11	3		11	3
Other	1	13		9	5
<p>■ Approval Process – Do you use any of the following to encourage housing affordability?</p>					
Fast Tracking	3	11		8	6
Streamlining	3	11		5	9
				4	10
<p>■ Intensification – Do you provide for/permit and/or does your Zoning Bylaw include any of the following?</p>					
Infill					
Secondary Suites					
Garden Suites/Granny Flats					
Duplexes/tri/quadrplexes					
Town/row housing					
Apartments					
Mixed use/shared facilities					
Small lot size					
Redevelop. of under utilized sites					
Conversion of non-res.					

**A Regional Housing Affordability Strategy for the Capital Region
Working Paper #1 (October, 2002)**

Hsg. Agreements	5	9	0	14
Pre-Application Mediation	5	11		
Other	0	14		

		CRD		CRD	
■ Protection of Stock – Do you use any of the following to encourage housing affordability?		■ Development Standards – Do you use any of the following to encourage housing affordability?		■ FINANCING AND FUNDING – Do you use any of the following to encourage housing affordability?	
Conversion regs.	4	10	2	12	
Demolition controls	3	11	6	8	
Maintenance bylaws	1	13	5	9	
Other	1	13	5	9	
			0	14	

LAND – Do you use any of the following?		PUBLIC PROCESS – Do you use any of the following?	
Inventories	6	8	14
Land price information	5	9	14
Land trusts/banks	0	14	13
Leasing land at/below market	2	12	12
Donating land at/below market	3	11	13
Joint land dev. Ventures	2	12	12
Other	1	13	12
PARTNERSHIPS – Have you used partnerships to encourage housing affordability?		Operating Subsidies	
Type	4	10	14

INFORMATION/ MONITORING – Do you have/use any of the following?		PUBLIC PROCESS – Do you use any of the following?	
Inventories	4	10	11
Housing registries	2	12	9
Demolitions/ Conversions	11	3	0
Non-conventional rental units	0	14	1
Construction costs	10	4	8
Monitoring programs	1	13	3
Demonstration projects	1	13	13
Public information	4	10	13
Other	0	14	13

Final – September 2002

* includes 1 yes/no response

CRD – HOUSING AFFORDABILITY STRATEGY
Local Government Policy, Legislative and Regulatory Matrix: Summary of Findings

	Core Area			Peninsula			Western Communities							
	Esq	OB	Saan	Vic	C. Saan	N. Saan	Sid	Col	High	JDF	Lang	Metch	Sooke	VR*
HOUSING POLICY														
• Definitions – Do you use/have definitions that pertain to affordability?														
Affordable	Yes	No	Yes	Yes	Yes	No	No	No	No	No	No	No	Yes	Yes
Special Needs	No	No	Yes	Yes	No	No	Yes	No	No	No	Yes	No	Yes	No
Inclusionary Zoning	No	No	No	No	No	No	Yes	No	No	No	No	No	Yes	No
Other	No	No	No	No	No	No	No	No	No	No	Yes	No	No	No
• Official Community Plans – Does your OCP contain policies pertaining to affordability?														
Goal Statements	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Specific Policies	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	No
Other	No	No	Yes	No	Yes	No	Yes	No	No	No	No	No	No	No
• Local Area/Neighbourhood Plans – If you have Local Area/Neighbourhood Plans, do they contain policies pertaining to affordability?														
Goal Statements	/	/	No	Yes	Yes	/	/	Yes	/	No	No	/	/	No
Specific Policies	/	/	No	Yes	No	/	/	Yes	/	No	No	/	/	No
Other	/	/	No	Yes	No	/	/	No	/	No	No	/	/	No
• Others – Do you have any other documents that pertain to affordability?														
Housing Strategies	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Housing Needs	No	No	No	Yes	Yes	No	No	No	No	No	No	No	No	No
Housing Guidelines	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Res. Design Guidelines	No	No	No	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	No
Special Needs	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Homelessness	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No
Other	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No

* View Royal has traditionally been included in the Western Communities, however View Royal requested over a year ago that it be considered as part of the Core Area in the RGS

	Core Area				Peninsula				Western Communities					
	Esq	OB	Saan	Vic	C.Saan	N.Saan	Sid	Col	High	JDF	Lang	Metch	Sooke	VR
REGULATORY AND PLANNING TOOLS														
• Zoning – Do you provide for/permit and/or does your Zoning Bylaw include any of the following?														
Density Bonusing	Yes	No	Yes	Yes	No	No	No	Yes	Yes	No	Yes	No	No	Yes
Range of Hsg. Types	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes
Div. of Tenure Types	Yes	No	Yes	Yes	No	No	Yes	Yes	No	No	No	No	No	Yes
Pre-zoning for multi-family	Yes	No	No	Yes	No	Yes	Yes	Yes	No	No	No	No	No	No
Comprehensive Dev.	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Other	No	No	No	No	No	No	Yes	No	No	No	No	No	No	No
• Intensification – Do you provide for/permit and/or does your Zoning Bylaw include any of the following?														
Infill	Yes	No	Yes	Yes	Yes	No	Yes	No	No	No	Yes	No	No	Yes
Secondary Suites	No	No	Yes	Yes	No	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No
Garden Suites/Granny Flats	No	No	No	Yes	No	No	No	No	No	No	Yes	No	No	Yes
Duplexes/tri/quadrplexes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes
Town/row housing	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes
Apartments	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	No
Mixed use/shared facilities	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes
Small lot size	No	No	Yes	Yes	Yes	No	Yes	Yes	No	No	Yes	No	Yes	Yes
Redevelop. of under utilized sites	Yes	No	No	Yes	No	No	Yes	Yes	No	No	Yes	No	No	No
Conversion of non-res.	Yes	No	No	Yes	No	No	No	No	Yes	No	Yes	No	No	No
Other	No	No	No	No	No	No	No	No	No	No	No	No	No	No
• Approval Process – Do you use any of the following to encourage housing affordability?														
Fast Tracking	No	No	No	No	No	No	Yes	Yes	No	No	Yes	No	No	No
Streamlining	No	No	No	No	No	No	No	No	No	Yes	Yes	No	No	Yes
Hsg. Agreements	Yes	No	No	Yes	No	No	Yes	Yes	No	No	Yes	No	No	No
Pre-Application Mediation	No	No	No	Yes	No	No	Yes	No	No	Yes	Yes	No	No	Yes
Other	No	No	No	No	No	No	No	No	No	No	No	No	No	No
• Protection of Stock – Do you use any of the following to encourage housing affordability?														

**A Regional Housing Affordability Strategy for the Capital Region
Working Paper #1 (October, 2002)**

Conversion regs.	Yes	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Demolition controls	No	No	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No	Yes
Maintenance bylaws	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Other	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No

	Core Area				Peninsula				Western Communities				
	Esq	OB	Saan	Vic	C.Saan	N.Saan	Sid	Col	High	JDF	Lang	Metch	Sooke

REGULATORY AND PLANNING TOOLS cont'd

Development Standards – Do you use any of the following to encourage housing affordability?

Building Codes	No	No	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No
Alt. Design Standards	Yes	No	No	Yes	Yes	No	No	Yes	Yes	No	Yes	No	No	No	No	No	No
Unit size/design control	No	No	No	Yes	No	No	No	Yes	Yes	No	Yes	Yes	No	No	No	No	No
Relaxing of standards	Yes	No	Yes	Yes	No	No	No	Yes	No	No	Yes	No	No	No	No	No	No
Other	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

LAND – Do you use any of the following?

Inventories	No	No	Yes	Yes	Yes	No	No	Yes	No	No	No	Yes	No	No	No	Yes	Yes
Land price information	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes	No	No	No	No	No	No	No
Land trusts/banks	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Leasing land at/below market	No	No	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No
Donating land at/below market	No	No	Yes	Yes	No	No	No	No	No	No	No	No	No	No	No	Yes	Yes
Joint land dev. ventures	No	No	No	Yes	No	Yes	No	No	No	No	No	No	No	No	No	No	No
Other	No	No	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No

FINANCING AND FUNDING – Do you use any of the following to encourage housing affordability?

Waived/reduced fees																		
Staff discretion	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
DCCs	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Other dev./permit fees	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Diff. prop. tax rates	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
Property tax exemption	Yes	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No	No	No	No

The following are summary highlights.

- While most jurisdictions (9 out of the 14) have specific policies concerning housing affordability in their OCPs, few have or use definitions for affordable and special needs housing or inclusionary zoning. This may be because housing has only been a required element of the OCPs in the last ten years, and also the lack of staff resources to dedicate to housing results in a lack of policies and definitions
- Excepting for Victoria and Central Saanich, there are few housing studies - particularly studies concerning affordability issues.
- There is a range of zoning tools supportive of housing affordability in place across the regional jurisdictions, e.g. Density Bonusing, Range of Housing Types, Diversity of Tenure Types, Pre-zoning for Multi-family developments, Comprehensive Developments.
- Intensification – a variety of initiatives such as infill (small lot (8) /duplex (9)), mixed use and apartments (9), secondary suites (8 jurisdictions permit), 4 jurisdictions allow re-development of under-utilized sites, and only 3 jurisdictions report providing for/permitting conversion of non-residential buildings.
- Policies directed towards the protection of existing rental stock (a source of lower cost rental housing) exist in the four Core jurisdictions and Sidney. These include conversion regulations, demolition controls, and a Maintenance Bylaw in the case of Victoria.
- Housing agreements have been used to encourage housing affordability in Esquimalt (seniors' housing), Victoria (to provide accessible units), Sidney, and Colwood (required for secondary suites).
- Where there is a dearth of support on the part of municipalities in the region is in direct assistance either with a land or financial contribution; in fact, active partnering with other agencies to support housing affordability. The limited examples are in Victoria (with the greatest number of projects), Saanich, Esquimalt and Sidney. Elsewhere in BC, there are examples of a number of municipalities directly involved in improving housing affordability in their jurisdictions through a land contribution (leasing or donation), or financial support (waiving fees, exempting taxes or through grants).

Regional municipalities have received grants under the Affordability and Choice Today (ACT) a national program directed at encouraging local solutions for housing affordability. These have focussed on secondary suites, small lots, and in 2002 evaluation guidelines for housing affordability and low-cost homeownership.

Building industry groups (Urban Development Institute (UDI) and Canadian Home Builders' Association (CHBA) working with Victoria and Saanich staff and council

representatives have established constructive liaisons to help resolve development issues. In Saanich community groups are also involved.

6.2 Perceptions from the Community

The following are observations by stakeholders representing industry, local government agencies, clients, community groups and the public in a series of focus groups and Workshop #1.

- Statistics should be compiled on how much is being developed and approved each year – e.g. % of new units as a % of each type and as a % of the total stock.
- Look at how many rezonings had occurred in the last 5 years at the municipal level.
- Development Permit Applications under the small lot policy are taking more time because of the public process; as a result municipalities are rethinking their small lot policies – “the resulting product is not worth the staff time” (i.e. numbers of new units added to the stock).
- Infill single family housing can take as much time as multiple family housing.
- Most municipalities do not fast track the approval process.
- One of the changes that has occurred in recent years with the termination of senior government subsidies has been the disappearance of resource groups who helped to steer the non-profit/coop housing projects through the approval process by assembling the “full service package”. The result is that “we are trying to adjust the system” to deal with this lack of expertise. Architects may play the role of the resource group, but the question arises as to whether or not they have the same skill set.
- There is a conundrum with respect to requirements for unit sizes, number of bedrooms and design guidelines for assisted housing that over the years have been raised by senior governments to a high standard that is costly in combination with high land costs and all the additional fees and charges introduced over recent years: At the same time private sector developers have moved to creating smaller units with quality materials. It was stressed that government design guidelines and standards are not in ‘synch’ with the market place. It was also noted that people’s expectations generally regarding their housing needs have been rising, however the private market is able to find a ready market for smaller units offering quality space and finishing materials.
- Land costs are the biggest component in the costs of building. There is a need to link assessed value and capital gains taxes. Land cost may be a function of availability (affected by such factors as geography, urban containment boundaries, and the amount of land set aside for parks). This is a policy-based issue.
- The quality of and degree to which municipalities collect and maintain information varies. It was noted that it would be useful to have access to registries. However, municipalities have no or few resources in-house to compile data and monitor it.

“The process has become planning; the product is low on the list.”

- There is both an expectation and a requirement to consult. However, the time involved in consultation has greatly increased the time needed to complete a development and this in turn increases development costs.
- Cost of undertaking reviews of development plans/applications is an issue for smaller municipalities – costs may not actually be covered completely in fees charged.
- Municipal awareness of housing varies around the Region, e.g. urban vs. rural municipalities.
- “Share the municipal matrix on housing around the Region”.

6.3 Key findings/conclusions

A number of the municipalities in the region lack housing expertise/resources. If definitions and policies are not in place it can result in applications being dealt with in an ad hoc manner and negotiations being conducted at a Council meeting. In turn, it may also slow the process down causing additional costs to be incurred.

While the limited level of direct involvement by regional jurisdictions in supporting housing affordability may in part be related to the lack of resources, there is an opportunity to consider options for municipalities to actively partner with other agencies to support housing affordability.

The Regional Growth Strategy is directed towards containing growth by encouraging concentration of urban development in eight major centres within the CRD. To achieve this the Transportation Strategy is looking at links between the centres to support a high level of regional accessibility. Support of this will mean increased emphasis on residential densification and infill policies, development forms that in turn are conducive to improving housing affordability.

Increased densification (multi-family housing, small lots, infill housing), relative to low density development, can consume a disproportionate amount of staff resources and construction costs. This suggests the need to re-examine the public process and look at alternative approaches.

Survey findings highlighted the lack of housing expertise/resources in many municipalities in the CRD, as well as in the review of development plans/applications, suggesting the need to look at options for providing regional support in this area.

Most local governments in the CRD are not using the tools available to encourage housing affordability.

The number of and variation in policies/practices and charges both within individual jurisdictions and between jurisdictions, and the fact that they change frequently present formidable challenges for housing developers and providers, not to mention local government staff and the public.

Jurisdictions that have policies and practices in place that encourage housing affordability have some or all of the following characteristics. They are jurisdictions where:

- significant development has occurred over the past decade or is occurring now;
- where a significant number of residents have affordability needs; and,
- where there is a desire to create a “more complete community” – a mix/diversity of residents and housing.

Notwithstanding the fact that most jurisdictions in the region are not using the tools available to encourage housing affordability, those jurisdictions having/using policies and practices to encourage housing affordability most often include: Victoria, Esquimalt, Saanich, Sidney, Colwood, Langford, View Royal, and perhaps Central Saanich.

The data collected only scratches the surface. Within each of the areas identified there are countless variations amongst jurisdictions and within jurisdictions. For example, provisions apply in only part of a jurisdiction and they vary from one jurisdiction to another e.g. how floor area ratios, density, size of parking stalls – to cite just a few examples – are calculated.

Changes in policies and regulatory practices occur frequently requiring continual updating of information.

Information on the complex variety of local government charges was also collected as part of the local government survey and is discussed in Section 4.5, as part of the review of factors impacting residential construction costs.

6.4 Local Partnerships, Financing and Tenure Initiatives

Twelve local initiatives involving partnerships, innovative financing and different tenure arrangements were reviewed. These are market housing projects without the traditional government subsidies that provide low-cost housing. In a few projects there was a portion of the units receiving rent supplement or Shelter Aid For Elderly Renters (SAFER). The projects included 7 rental projects developed by non-profit housing societies, homeownership units, a land trust, and co-housing and life lease projects.

The overall conclusion was that without subsidies, equity contributions (e.g. land contribution), or grants, it is possible - but extremely difficult - to provide financially viable, low-end of market rental housing.

Approaches to reducing the significant land cost component of housing in Regional municipalities include:

- redevelopment and intensification of existing sites owned by housing societies;
- local governments providing land at below market costs;
- using a Land Trust; and,
- acquisition of “surplus” publicly owned land at below market cost.

To achieve these projects also required a combination of partnership arrangements, involving equity contributions and grants from a variety of sources, e.g. government, financial institutions, foundations, and the non-profit society (including fundraising efforts). Local non-profit societies’ experience is that a substantial amount of equity is required before financial viability can be assured.

CMHC’s Canadian Centre for Public-Private Partnerships has participated in more than fifty affordable housing projects across the province since the beginning of 1999, six of them have been in the CRD. Only two of the fifty projects actually involved public-private partnerships, one of which is the congregate care project being developed by Society for the Christian Care for the Elderly on Douglas Street. The rest were only made possible by accessing either donations and grants from local municipalities and foundations or through the use of the sponsor’s own equity.

In terms of tenure options, potentially the life lease tenure option may make housing more affordable for future residents compared with other options.

Insofar as homeownership, the private sector project showed that low end of market (\$159,000 to \$169,000) can work in some regional locations, e.g. Sooke, and Victoria Habitat for Humanity is active in the construction of homes in Victoria, Saanich and Sidney with land contributions from the respective municipalities.

In summary, the opportunities for construction cost reductions lie in land, financing and capital costs.

6.5 Perceptions from the Community

**“Equity is key
to ability to
develop.”**

The following are observations by stakeholders representing industry, local government agencies, clients, community groups and the public in a series of focus groups and Workshop #1.

- Land and Water BC Inc. is looking at how it can partner with the private sector. BC Lands cannot transfer land to a non-profit it has to be to a municipality who can then transfer to a non-profit organization.
- Projects stand on their own only if they have a lot of equity.
- Seniors in all jurisdictions have access to the Provincial Property Tax Deferment program. Deferment may also sometimes be used for heritage properties.
- VIHA negotiated a package deal with the private sector for renting a large number of rooms to house the hard to house, including whole buildings, achieving economies of scale (savings of up to \$100,000) by administering rents.
- Housing above commercial (St Vincent de Paul project successful 10,000 sq.ft. on bottom floor with rental units above (325 sq.ft. @ \$625/mth)); business people don't want to be landlords & this offers the opportunity for non-profits to be the managers.
- Major donations of land are available from donors, plus charitable donations have tax advantages.
- Consider partnership with non-profits who could do the fundraising which takes time and effort.
- “We have to convince the decision-makers to be creative and innovative.”

6.6 Key findings/conclusions

CMHC has done only two real partnerships with the private sector in British Columbia, one in Vancouver and one in Victoria (Society of Christian Care for the Elderly) which have involved private investor funds and a non-profit society. Although a number of partnerships have taken place they have involved significant equity positions from the non-profit society, and have not had to deal with the complexities represented by a public and a private interest. Collaborative partnerships with municipalities and foundations can produce innovative projects and create a “win-win” situation for those concerned, but the equity contribution is key to success.

In the absence of government funding, there is increasing interest in fundraising and the opportunity to access philanthropic support as a further alternative for lowering the capital and operating costs to improve housing affordability. The role of charitable organizations and fundraising by non-profits used in combination with partnerships is an emerging force in providing more affordable housing.

Housing affects community sustainability and in this sense involves everyone. The resources for an effective strategy must be built within the community – there is limited assistance available from without.

Evidence regionally is that there is support for strategically addressing housing affordability on a community basis through collaboration and partnership. The multi-sectoral Housing Affordability Partnership has set a positive attitude of collaboration across the spectrum of public, private and non-profit and community interests, and has attracted the interest of political leaders. Local housing industry stakeholders (CHBA and UDI) are a strongly active and supportive group on housing affordability. Some builders feel that many in the home building industry can and want to help, but are often not asked. The involvement of professional homebuilders provides knowledge, capacity and purchasing power to foster creative solutions for affordable housing.

From a financial perspective, there are a number of regional groups that should be involved including the local financial institutions, particularly the credit unions who are becoming increasingly involved in community development. CEDCO is also actively looking at financial investment opportunities to train local residents and create employment opportunities. At the community level, there are housing providers and community associations with keen interests in the housing affordability issues facing residents in their neighbourhoods, particularly the less privileged, the absolute and relative homeless. Other community organizations have completed work on Quality of Life Indicators and community sustainability.

The above is not intended to reflect the full range of interests groups, but to suggest the variety of interest groups.

7.0 Affordability

In this section we look at the people in the CRD, their socio-economic profiles and implications for affordability.

What do high housing costs mean for the people who live in the Capital Region?

High housing costs affect people in several ways. Renters may have to spend such a high proportion of their income on rent that they are forced to cut back on other essentials, or they may have to live in accommodation that is overcrowded, substandard, or too far from work or school. High ownership costs mean that people who want to buy a house are unable to do so. If housing is too expensive for average people, employers may locate in other, more affordable cities and people who want to improve their living conditions may have to move away. Personal health and security may also be affected if people have substandard accommodation – or are in a transitory state e.g. single parents.

What does affordability really mean and how many people are affected?

Everyone's situation is different in some way, but to try and make sense of a complicated situation it is necessary to choose some basic definitions, and to distinguish between renters and owners (or potential owners). For purposes of the Strategy we are choosing the core housing need definition.

7.1 The Concept of Core Need

The concept of *core housing need* is regarded by many housing market observers as the *most precise and comprehensive measure of need available and is increasingly being adopted as the measurement of housing need*, including as part of Canada's Urban Strategy. Core need households are those who cannot obtain enough space¹⁵ for their household that is in reasonably good condition without spending more than 30% of their income for shelter. The 30% figure is based on research indicating that when the shelter costs of low income households exceed 30% of their incomes, their consumption of other essentials of life such as food, clothing, day care, and transportation is reduced. ***However, the definition of core need goes beyond the standard definition of households in need, that is those paying more than 30% of their income for shelter. Because it considers adequacy and suitability as well as affordability and because it takes***

¹⁵ This is based on the National Occupancy Standards. These specify a maximum of 2 and a minimum of 1 persons per bedroom where: parents have a separate bedroom from children; people aged 18 and over have a separate bedroom unless married or cohabiting as spouses; dependents 5 yrs. and over of the opposite sex do not share a bedroom; bachelor dwelling units in adequate condition are considered suitable accommodation for single person households.

voluntary over-consumption into account, estimates of core need are always lower than the number of households paying more than 30% of their income for shelter.

For example, in 1996 there were 24,000 renter households in the Victoria metropolitan area paying more than 30% of their income on rent, but only 16,000 of these were in core housing need.

The data necessary to calculate core need comes from the Census. Census data on household characteristics will not be available until May 2003, and the first official estimates on core housing need are anticipated early 2004. Consequently, the analysis in this report is based on data from the 1996 Census. The largest number of households in core housing need are located in Victoria and Saanich, as one might expect for the two largest communities.

The tables in this section contain information about renter and owner households in core housing need, including average incomes. Appendix B contains an explanation about how core need estimates are derived.

7.1.1 Core Need by Municipality

As the following table indicates, on an absolute basis the largest number of households in core housing need are located in Victoria and Saanich, as one might expect. On a proportional basis the incidence of core need is higher in some other municipalities than it is in Victoria and Saanich, but that is mostly a result of small absolute numbers.

Table 17: Core Housing Need by Municipality

Core Housing Need by Municipality, 1996								
	Renter hhlds in need	% of total renter hhlds	Owner hhlds in need	% of total owner hhlds	Total in need	Total Hhlds	Need as % of total	Total as % of CRD
Sub. C	390	52.0	400	11.8	790	4,135	19.1	3.2
Highlands	15	21.4	10	2.5	25	465	5.4	0.1
View Royal	255	30.2	155	9.5	410	2,475	16.6	1.7
Sub. B	0	-	10	5.6	10	200	5.0	0.0
Langford	500	42.0	585	12.0	1,085	6,075	17.9	4.4
Metchosin	65	28.3	105	8.8	170	1,425	11.9	0.7
Colwood	285	25.3	205	5.9	490	4,575	10.7	2.0
Esquimalt	1,440	38.9	325	9.8	1,765	7,010	25.2	7.1
Victoria	9,330	41.6	1,425	10.4	10,755	36,135	29.8	43.3
Oak Bay	610	30.5	310	5.7	920	7,480	12.3	3.7
Sub. A	615	55.7	785	18.1	1,400	5,450	25.7	5.6
Saanich	3,310	33.8	2,060	7.3	5,370	38,065	14.1	21.6
C. Saanich	300	31.6	280	6.6	580	5,165	11.2	2.3
Sidney	465	36.2	260	7.3	725	4,840	15.0	2.9
N. Saanich	95	22.1	145	4.3	240	3,815	6.3	1.0
Sooke*	not available							
E. Saanich*	not available							
CRD	17,695	38.5	7,130	8.8	24,825	127,420	19.5	99.6

* Included in the CRD total.

What might have happened since 1996?

Between 1991 and 1996, rents in the overall rental market in Victoria increased by 9%.¹⁶ Vacancy rates increased from 0.8% in 1991 to 4.1% in 1996, the peak year for vacancy rates in the 1990s. In spite of these factors, the rents paid by most households in core need increased by over 20%. Incomes did not keep up, resulting in 3,000 more households in core need at the end of the period than at the beginning.

Rents since 1996 have increased by 4% but the vacancy rate plunged from 4.1% in 1996 to 0.5% in 2001, suggesting that significant rent increases in the future are highly likely at a time when many income assistance programs are being cut back. Furthermore, the construction of social housing in BC has virtually come to an end. Coupled with the lack of private rental starts discussed at the outset of this section of the paper, the result is going to be further pressure on an already extremely tight rental market. CMHC forecasts higher annualized rent increases.¹⁷

¹⁶ For one bedroom apartments, the commonest unit type in CMHC's Rental Market Survey.

¹⁷ CMHC Victoria Office.

In view of the experience of the early 1990s when rents of core need households increased twice as fast as rents in the overall market, it seems reasonable to assume that the incidence of core need is probably considerably higher today than that recorded by the 1996 Census, and is likely to be higher still in the future.

The waiting list data summarized below support this hypothesis.

- **BC Housing Waiting List** for projects in the CRD.

Number of applicants by month			
	2002	2001	2000
January	67	14	6
February	63	19	12
March	56	18	14
April	61	17	11
May	30	30	13
First 5 months	277	98	56

In the first five months of 2002, BC Housing's waiting list tripled compared to the same period in 2001.

- **Capital Region Housing Corporation Waiting List** (Note: CRHC completes periodic reviews of the Waiting List to determine those actively seeking accommodation).

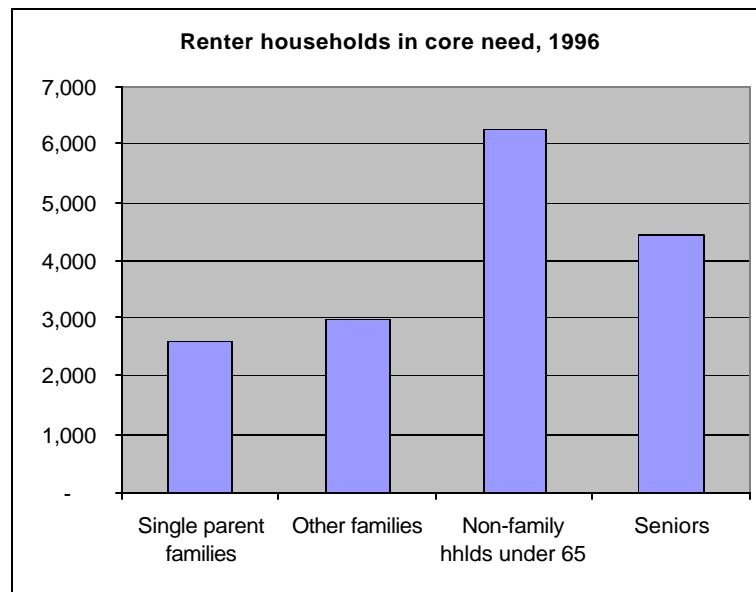
Month/Year	Waiting List
January, 1997	1,393
July, 1997	1,594
January, 1998	1,753
June, 1998	1,208
February, 1999	1,428
July, 1999	1,486
January, 2000	1,157
July, 2000	1,406
January, 2001	1,135
February, 2001	1,183
March, 2001	1,225
April, 2001	1,304
January, 2002	1,630
February, 2002	1,674
March, 2002	1,708
April, 2002	1,700

The current CHRC waiting list is longer than it has been since January, 1998 and is 30% higher than it was at the same time in 2001.

7.2 Renters in Core Need

According to the 1996 Census, there were 16,245 renter households in core need in the Victoria CMA. As the accompanying chart illustrates, the largest group of households in core need are non-family households under the age of 65. These include lower income urban singles living on basic income assistance, young adults working for low wages in the service industries, students, and low-income women and men in their middle years living in poverty.

Figure 7: Renter Households in Core Need, 1996



Between 1991 and 1996, the incidence of core need among renters increased significantly – by over 3,000 households, or 25%.¹⁸ Two-thirds of the increase occurred among non-family renter households under the age of 65.¹⁹ These include lower income urban singles living on basic income assistance, young adults working for low wages in the service industries and low-income women and men in their middle years living in poverty.

¹⁸ In the province as a whole, the number of renter households in core need increased by 27% between 1991 and 1996.

¹⁹ Total core need increased by just over 3,000 households. The incidence of need among non-family renter households increased from 8,700 in 1991 to 10,675 in 1996, an increase of 1,975. The number of senior renter households in core need declined between 1991 and 1996, meaning that the increase of 1,975 households (roughly two-thirds of the total increase of 3,250) in core need occurred among those under 65.

Table 18: Renter Households in Core Need, Victoria CMA

Renter Households in Core Need, CMA			
	1991	1996	% increase
All renter households in core need	12,995	16,245	25.0
Under 65 renter households in core need	8,540	11,810	38.3
Family renter households in core need	4,295	5,570	29.7
Single parent households in core need	1,985	2,585	30.2
Non-family renter households in core need	8,700	10,675	22.7
Senior renter households in core need	4,455	4,430	-0.6
Household head 15-29 in core need	3,045	4,620	51.7
Household head 30-44 in core need	3,450	4,625	34.1
Household head 45-64 in core need	2,045	2,565	25.4
Household head over 65	4,455	4,430	-0.6

To put this chart in some perspective, the total number of households in the Victoria metropolitan area increased by 8% between 1991 and 1996, and the total number of renter households by 6%.

Why did the number of renter households in core housing need increase by 25% - over 3,000 households - between 1991 and 1996 while the total number of renter households increased by only 6%?

The answer is that rents paid by these households increased faster than their incomes. Moreover, the rents paid by these households increased much faster than rents in the overall apartment rental market, in which rents increased by only 9% between 1991 and 1996.

Although core need among seniors declined, they are still second biggest single group. The issue of housing affordability is an important one for seniors. For many seniors, income is limited to the Old Age Security and a senior's supplement (GAIN). This does not provide adequate resources for private payment of in-home services or congregate living. Currently there is a requirement for 2,295 units of supportive housing for seniors in the CRD, "well behind the present supply" (which is listed as 40 non-licensed projects but no unit count).²⁰

²⁰ "The Need for Supportive Living in BC: The Case of the Capital Health Region", October 2001 (Project Leader: Linda Campbell, Co-investigator: Veronica Doyle, and Consultant: Elaine Gallagher)

Table 19: Income and Rent Data, Renter Households in Core Need, Victoria CMA

	Number			Income			Rent		
	1991	1996	% ch.	1991	1996	% ch.	1991	1996	% ch.
Total households	12,995	16,240	25	\$14,455	\$17,000	18	\$552	\$666	21
Non-Family households	8,700	10,675	23	\$12,870	\$15,224	18	\$504	\$606	20
Non-Family Hhlds 65+	3,950	3,845	-3	\$13,098	\$15,341	17	\$520	\$611	18
Family households	4,295	5,570	30	\$17,665	\$20,404	16	\$650	\$782	20
Couples with children	1,030	1,330	29	\$20,835	\$24,627	18	\$749	\$932	24
Couples without children	1,260	1,645	31	\$15,842	\$19,883	26	\$592	\$732	24
Lone-parent families	1,985	2,585	30	\$17,124	\$18,543	8	\$636	\$736	16

Table 19 shows that as a consequence of rents increasing somewhat faster than incomes, shelter-to-income ratios also increased between the two censuses for most household types. (See Table 20)

Table 20: Core Need Renters: Shelter to Income Ratios

Core Need Renters: shelter to income ratios			
	1991	1996	% ch.
Total households	49%	51%	4
Non-Family households	50%	51%	2
Non-Family hhlds 65+	49%	49%	-
Family households	50%	51%	4
Couples with children	51%	53%	4
Couples without children	50%	50%	0
Lone-parent families	45%	51%	6

7.3 Owners and Potential Owners

There are two ways of assessing affordability issues associated with home ownership. One way is to look at the core need data for owners and the other is to look at the number of households who could afford to buy if they wanted to.

7.3.1 Owners in Core Need

Just over 6,000 owner households were in core need in 1996, fairly evenly distributed between family and non-family households. Unfortunately the level of detail for core need owners is not as extensive as that for core need renters so it is not possible to know, for example, the age breakdown of these households.²¹

Table 21: Income and Shelter Costs, Owner Households in Core Need, Victoria CMA

	Number			Income			Shelter payment		
	1991	1996	% ch.	1991	1996	% ch.	1991	1996	% ch.
Total households	4,045	6,240	54	\$16,608	\$22,010	33	\$621	\$858	38
Non-Family households	1,805	2,840	57	\$12,859	\$17,977	40	\$472	\$690	46
Family households	2,235	3,400	52	\$19,640	\$25,378	29	\$741	\$999	35
Couples with children	920	1,350	47	\$21,799	\$27,523	26	\$811	\$1,175	45
Couples without children	600	1,145	91	\$15,218	\$22,862	50	\$588	\$792	35
Lone-parent families	680	825	21	\$20,504	\$24,826	21	\$777	\$983	27

The 50% increase in the number of core need households between 1991 and 1996 was also fairly evenly distributed between family and non-family households. Of the over 6,000 owner households in core need, 2,600 are one person households, 2,500 are couples with and without children and 800 are single parent families. Half the increase between 1991 and 1996 was one person households and half was couples with and without children.

As Table 22 indicates, shelter to income ratios for owner households in core need were slightly lower than those for renter households in core need, although the fact that owner households are accumulating an asset and renter households are not is not captured in these ratios. Note that the third column represents the percentage change between the two censuses.

Table 22: Owner Shelter to Income Ratios

	Owner shelter to income ratios		
	1991	1996	% ch.
Total households	47%	48%	2
Non-Family households	46%	47%	2
Family households	46%	48%	2
Couples with children	52%	54%	13
Couples without children	44%	44%	-8
Lone-parent families	44%	46%	0

²¹ The detailed core need data for renters was provided by BC Housing. The core need data for owners is based on CMHC's Housing in Canada national database, which does not contain the level of data obtained by BC Housing.

7.3.2 Households who Could Buy

The number of households in a market area who could afford to buy if they wanted to is often used as a measure of affordability. The ability to buy a house depends on many things including the cost of housing, household incomes, mortgage rates, and operating costs (utilities, taxes, condo fees, etc). The single most important factor in ownership affordability is mortgage rates, which are currently at 40 year lows. Any significant increase in mortgage rates would have very significant implications for ownership affordability in Victoria.

In 1999, the median income of economic families in the Victoria metropolitan area was \$56,986. Average weekly wages and salaries in BC increased by 6% between 1999 and 2002. Assuming that median income also increased by 6% and is now \$60,405,²² a family earning that level of income could afford to pay approximately \$289,000 for a home, assuming 10% down, an amortization period of 25 years, a mortgage rate of 5.5%, and a gross debt service ratio of 32%. To illustrate the impact of mortgage rates, if a 7.5% rate were considered, the value of the home the same household could afford would fall to \$244,000. At a 9.5% rate, an affordable home could cost no more than \$211,000.

7.4 Homeownership and Affordability in the CRD – New and Re-sale

Looking at options to access ownership, the most accessible traditionally has been apartment condos, followed by row housing and then single family detached.

New Housing

New Apartment Condos

In terms of new home prices, data from CMHC indicates that the price distribution of new apartment condos sold in the first seven months of 2002 was as follows:

²² Another data base from Statistics Canada based on tax returns indicates that the median income of husband/wife families in the Victoria CMA was \$60,800 in 2000, so using an estimate of \$60,404 for economic families in 2002 is probably very close to reality.

Table 23: Distribution by price range, new apartment condos sold from Jan. to July, 2002, Victoria CMA

Price range	# of units	% of units (& cumulative %)
Under \$100,000	5	7% (7%)
\$100,000 to \$139,999	11	16% (23%)
\$140,000 to \$179,999	13	19% (42%)
\$180,000 to \$219,999	8	11% (53%)
\$220,000 to \$259,999	8	11% (64%)
\$260,000 to \$279,900	5	7% (71%)
\$280,000 to \$299,999	4	6% (78%)
\$300,000 to \$359,999	7	10% (88%)
\$360,000 to \$399,999	4	6% (94%)
\$400,000 +	5	7% (100%)
Total	70	100%

Just over 71% of these units were two bedroom units and an additional 9% were three bedroom units. Assuming half the four units priced between \$280,000 and \$299,999 sold for under \$289,000 implies that about 74% of the new apartment condo stock sold in Victoria in the first seven months of 2002 was affordable for the median income economic family.

New Row Condos

Over the same time period, 50 new row condos were sold, half of them two bedroom units and half of them three bedroom units. Note that the price ranges are different for row condos – the lowest price range is under \$180,000 compared to under \$100,000 for apartment condos.

Table 24: Distribution by Price Range, New Row Condos sold from Jan. to July, 2002, Victoria CMA

<i>Price range</i>	<i># of units</i>	<i>% of units (& cumulative %)</i>
Under \$180,000	18	36% (36%)
\$180,000 to \$239,999	9	18% (54%)
\$240,000 to \$279,999	16	32% (86%)
\$280,000 to \$299,999	4	8% (94%)
Over \$300,000	3	6% (100%)
Total	50	100%

If the same assumption is made that half the four units sold between \$280,000 and \$299,999 sold for under \$289,000, then approximately 90% of the row housing sold in the first seven months of 2002 was affordable for the median income economic family. Ironically, the row condo stock sold in the first seven months of 2002 was more affordable than the apartment condo stock.

New Single Detached Houses

The price distribution of the 512 new single detached units completed in the Victoria CMA over the period from January to July 2002 appears in the following table.

Table 25: Distribution by price range, new single detached houses, Jan. to July, 2002, Victoria CMA

<i>Price range</i>	<i># of units</i>	<i>% of units (& cumulative %)</i>
Under \$150,000	2	0.4% (0.4%)
\$150,000 to \$199,999	27	5.3% (5.7%)
\$200,000 to \$249,999	127	24.8% (30.5%)
\$250,000 to \$299,999	115	22.5% (52.9%)
\$300,000 to \$399,999	149	29.1% (82%)
\$400,000 to \$499,999	49	9.6% (91.6%)
\$500,000+	43	8.4% (100%)
Total	512	100%

Note that in order to estimate what percentage of these houses would have been theoretically affordable for the median income economic family in Victoria, it is necessary to make some assumptions about the price distribution of the 115 units priced between

\$250,000 and \$299,000. If we assume that they were evenly distributed throughout that price range, then 92 of them would have been priced under \$289,000, implying that 43% of the new single detached housing stock was affordable for the median income economic family.

Summary

In summary, from January to July, 2002, the percentage of new homes sold in the Victoria CMA priced below \$289,000 was as follows:

Single Family Homes	43%
Row houses	90%
Condominium	74%

Resale House Prices

In the first six months of 2002, the percentage of homes sold on the Multiple Listing Service in Victoria below \$289,000 was as follows:

Single Family Homes	70.8%
Townhouse & Duplex	87.0%
Condominium	95.4%

Similar calculations for the 1998 to 2001 period are included in the Table 28.

Table 26 Affordability of MLS Sales, 1998-2001

Year	Median income	5 year mortgage rate	Max house price	% MLS sales below maximum house price		
				SF	T&D	Condo
2001	\$58,853	6.0	\$272,000	69.3	86.3	94.8
2000	\$58,066	7.2	\$239,000	59.2	72.6	91.2
1999	\$56,986	6.1	\$264,000	73.4	85.0	93.7
1998	\$57,991	6.3	\$269,000	73.0	85.8	92.4

Location of Affordable Ownership Housing Stock

Far more resale homes are sold than new homes. In the first seven months of 2002, 632 new homes (single, row and apartment) were sold compared to 6,000 resale homes.

Just under 700 single family resale homes priced under \$200,000 sold during the first seven months of 2002. Most of these houses were in Victoria, Saanich West, Langford and Sooke.

Table 27: Resale Single Family Houses Selling for Less than \$200,000 January 1 – July 31, 2002

	Resale Single Family Houses Selling for Less than \$200,000 January 1-July 31, 2002				Total
	Less than \$140,000	\$140,000- \$159,999	\$160,000- \$179,999	\$180,000- \$199,999	
Victoria	9	14	49	56	128
Oak Bay	0	0	0	1	1
Esquimalt	2	13	21	22	58
View Royal	5	6	7	6	24
Saanich E	1	3	16	35	55
Saanich W	8	14	43	48	113
C Saanich	1	2	7	9	19
N Saanich	0	0	1	0	1
Sidney	7	4	6	20	37
Highlands	0	0	0	0	0
Colwood	6	17	10	17	50
Langford	13	16	26	44	99
Metchosin	1				1
Sooke	14	23	39	32	108
Total	67	112	225	290	694

7.5 Special Needs

**“Landlords perceive disabled people as a risk because of safety concerns and perceive them to be on welfare (e.g. because of the disability pension).”
(Disabled person in Focus Group)**

“In July 1999 just over 3,500 people in the region were receiving disability benefits from the provincial government.”²³ Census data (1996) indicated there were over 9000 people with physical and mental disabilities living below the low-income cut-off (LICO) in this region. Regionally there is a limited selection of social housing available for those with disabilities and the majority of people have to find accommodation on the private market, for those with physical disabilities this presents a particular problem as they need accessibly designed units and also have to deal with landlord's perceptions of them as safety risks and 'welfare' recipients.

7.6 The Homeless

“There is a growing trend of people from outlying municipalities to migrate to the downtown core of Victoria to access services. So while homelessness has been an issue for the City of Victoria since the late 1980s, primarily in the downtown, it is fast emerging as a regional issue.”²⁴

It is beyond the constraints of the Regional Housing Affordability Strategy to detail the homeless issues that prevail within the CRD. For further information beyond that provided below, readers are directed to the following report available on the City of Victoria Web site, “Assets and Gaps Review on Homelessness: The Gaps – A Strategic Approach”, prepared by Urban Aspects Consulting Group Ltd. for the Victoria Steering Committee on Homelessness, July 2001.

The work completed in 2001 gave no overall estimate of need across the homeless client groups intentionally as the data is not only difficult to gather, but there is also overlap between the client groups, for example across the ex-institutional (prison), mental health/forensics, substance misusers, and urban aboriginal persons.²⁵ Some of the findings on need for homeless clients from the report are as follows.

Young Adults Age 19 – 24: In February 2001, 843 cases of youth 19 to 24 were on an Income Assistance Program called Youth Works, of these 25% were parents²⁶

²³ City of Victoria, British Columbia Community Action Plan on Homelessness, prepared by the Victoria Steering Committee on Homelessness, August 2001, p. 7.

²⁴ Ibid., p. 2.

²⁵ “Assets and Gaps Review on Homelessness: The Gaps – A Strategic Approach”, prepared by Urban Aspects Consulting Group Ltd. for the Victoria Steering Committee on Homelessness, July 2001

²⁶ “Stories, Statistics and Services on Youth and Housing in British Columbia's Capital Region, Youth and Society Research Group of the University of Victoria, April 2001.

Street Entrenched Youth & Sexually Exploited Youth Age 13-19: As with young adults, there are few accurate statistics on the number of youth who are absolutely or relatively homeless at any given time. Many youth do not want to be found. It is estimated that around 50 youth per night would be on the street. This figure was calculated as a percentage of B.C.'s 10,500 reported runaways per year.²⁷

Women and Children: A combination of poverty and high rent can put a single woman or a family at risk of homelessness. Homeless women and children tend to be 'invisible'. In Victoria, there are two transition houses for women and their children who have experienced domestic violence with a total of 36 beds and one shelter for women with 18 beds. A mixed shelter can accommodate 11 women. All operate at capacity. Other women and children who are homeless use motels. There are no figures on the extent of the use of motels by women and children who are homeless. During a 12 month period between 1999 and 2000 at two transition houses, a minimum 580 women and children were not able to be accommodated.

The Newly Poor: This group include people who have encountered unemployment or other crisis and have lost their housing or at risk of becoming homeless. It does not include people with the challenges of any of the 'urgent need' groups. There are no shelters for families. A family can go to a motel during the winter when rates are low. In the summer, the only option is to camp out. There are limits on the stays in the campgrounds. If one is newly poor, one is not familiar with the network of services of available, nor the process and rules in regard to accessing that system. *From March to August 2002, Burnside Gorge Community Association Homeless Families Outreach Project assisted 72 families absolutely homeless or at risk.*

Substance Misuse: There are an estimated 1500-2000 current injection drug users in the Capital Health Region. The "Missed Opportunities" study provided information based on a self-administered questionnaire completed by 40 IDUs in Victoria to describe the population, including their housing situation and conditions: 27.5% (11) of participants had unstable housing at the time of the study; 82.5% (33) identified themselves as having unstable housing in the three months prior to the study; 75% (30) of participants who reported income from panhandling or squeegeeing were living in squats or on the street; about 66% (26) of these were <24 years.

Homeless people living with HIV/AIDS: Among 198 regular clients at AIDS Vancouver Island (1998) an estimated 20% were homeless. There are growing numbers of people with HIV disease who live on the street, where major problems are lack of money and support services.

²⁷ Ibid. p.12

*Mental Health and Forensics*²⁸: The number of homeless/at risk of homelessness people with mental illnesses in the CRD is not known. However, there is some information that provides an indication of the extent of mental illness and homelessness. Street Link estimates there are 1200 mentally ill persons amongst its clients – 780 of them with dual/multiple diagnosis. Street Link statistics over several years identify just over 40% of the occupants as having a mental health issue - of the 55 beds at the Shelter, 22 are regularly occupied by people with a mental illness. Forensic Liaison has 20 clients who are homeless. There are over 200 people on the Capital Health Region wait list for adult mental health housing - this includes only people with a CHR case manager, only a small number of people who are homeless and does not include waitlists of other non-profit societies.

*Urban Aboriginal Persons*²⁹: Estimates for shelter use in 1999-2000 indicated 40% of male shelter users and 20% of female shelter users are Aboriginal people (this did not include the many turned away each day). First Nation people are over represented in the homeless population and under represented in the formal mental health system. Forty five percent of Aboriginal children and youth live in poverty in the CRD Region, much higher than the percentage of the total children and youth living in poverty.

Ex Institutional (Prison) Persons: It is extremely difficult to obtain information for the homeless that are within this client group; they also overlap with mental health forensics, the substance misusers and urban Aboriginal homeless persons. In Victoria, on average 4 people are released on a daily basis from Vancouver Island Regional Correctional Centre. The average stay in the provincial prison system is three months. Results from a sampling of inmates being released from the Vancouver Island Regional Correctional Centre self reporting to a front line worker revealed that of the 308 inmates reporting, 175 were heading to Victoria, of these 82% have no residence to go to as there are no halfway house accommodation for provincial inmates released. Those released from the Federal institution at William Head are provided with accommodation at halfway houses.

The work on homelessness assets and gaps in 2001 also noted that while considerable energy has been directed at homelessness there remain some **critical gaps**. Higher order gaps include: availability of housing, including supportive housing and a continuum of services; a lack of “safe places” clients can go to escape street life, the sex trade, substance misuse, and to find respect and start to build self-esteem. Among the gaps for client groups are the following:

- Families, especially women and children (living in motels) have no access to any shelter accommodation from mid-May through early October (the high tourist season).

²⁸ Mental Health Forensics Clients are those found “Not criminally Responsible due to a mental health disorder”:

²⁹ The term Aboriginal, as recognized in the 1982 Constitution of Canada, refers to First Nations, Metis, and Inuit Peoples as a group.

- Women with sons age 16 and over, who have experienced domestic violence have nowhere to turn, except motels. Transition houses do not allow males over that age.
- There are few “safe” homes for sexually exploited youth trying to leave the sex trade.
- Urban Aboriginal persons stress the almost uniform gap in shelters and services that are culturally sensitive and where there are Aboriginal front-line workers/counsellors. These are barriers to Aboriginal persons accessing shelter and services. Aboriginal Women, especially those who have experienced abuse, have need of a shelter. This need has long been recognized, but proposed shelters have been met with community resistance.
- Women in recovery who want to get off the streets but want to stay away from substance misuse have no shelter option, as the women’s shelter is “wet” (i.e. takes women under the influence of substance). Complicating the situation further, children are not permitted in the shelter.
- For people with mental health, substance misuse or dual diagnosis there is a severe housing shortage. Many persons with chronic mental illness and /or substance misuse problems have behaviours that are often problematic and unaccepted, both in independent living situations and facility situations. This population recycles through housing, crisis, homelessness, shelters, and around again.
- There are relatively few resources committed to seniors with substance misuse and/or mental health problems.
- Those working with ex-institution (prison) clients, as well as the clients themselves, emphasised their chances of living in safe, affordable housing upon release are extremely remote, given the stigma of being an ex-offender coupled with coping with the chaotic experience of being released from prison.

There are also gaps across the area of Supportive Housing - the gaps in transitional housing (1-3 month period), and second stage housing offering semi-permanent and semi-independent living. Examples include the absence of transitional housing for youth (15 yrs +) and half-way housing for ex-institutional (prison) clients released from provincial jails.

7.7 Perceptions from the Community

The following are observations by stakeholders representing industry, local government agencies, clients, community groups and the public in a series of focus groups and Workshop #1.

- James Bay Community Project has completed an extensive survey of seniors in James Bay – one finding was that there are 6,000 seniors living below the poverty line in James Bay. Some of the issues noted: number of seniors occupying hospital beds “bed blockers”; home care limited to the most needy; seniors are very costly to the system; there is no assisted senior housing (independent living) available in the James Bay area, it is all family housing; and, seniors and children are “at the end of the food chain”.
- The Status of Women Action Group (SWAG) office notes: (i) there is no place for low income women to live anymore, if their children go into care because they cannot house them then parents lose \$325; (ii) a number of women 55-65 yrs have gone into shelters because of shelter allowance cuts.

“As a single parent with two kids where do I go?”(Single Mother in Focus Group)

“Where are my children going to be able to live and work 10 years from now?”

“It is a false assumption to believe that everyone wants or needs the same thing.” (Youth participant in the Focus Group)

- Affordable housing for a mother and her two children is very difficult to find. She estimated that she spends 70% of her monthly income (\$1,000) for rent alone, not including utilities (in winter her Hydro bill is \$250) or living expenses.
- A young woman stressed the need for short term cash solutions and other options to low cost housing, for those like herself who can work but have a hard time finding work, yet do not want to go on income assistance, and as a result have difficulty affording housing.
- Habitat for Humanity noted 12,000 families have income constraints, i.e. income less than \$29,000 per year (9,000 families with \$9,900 gross income/family); families pay \$600-700/month for 3 BR 1,000 sq.ft. for a Habitat for Humanity home and have to give 500 hours of sweat equity to the project.
- “making units smaller and getting governments to lower fees/cut taxes (actual construction costs are not going to change) are two things to make housing more affordable.”
- “new housing construction is not affordable – labour shortages pushing up costs, plus consultation with neighbourhood associations/NIMBY can increase costs significantly, e.g. \$1M. on one project – but elected officials not doing anything about it.”
- With high numbers on wait lists - the onus is on the individual to keep in touch with the housing providers. Pacifica noted it has re-worked its system so that families on the wait list for a while receive compensatory points.
- Watch the loss of affordable rental stock.

7.8 Key findings/conclusions

Between 1991 and 1996, the number of renter households in core need increased by 25%, although the number of renter households in total increased by only 6%.

Rents increased twice as fast between 1991 and 1996 for renter households in core housing need than in the rental market in general.

Given very low vacancy rates and rising rents, it is highly likely that the number of households in core housing need is significantly higher than it was in 1996.

Supporting that hypothesis is the fact that in the first five months of 2002, BC Housing's waiting list tripled compared to the same period in 2001. The current waiting list of the Capital Region Housing Corporation is longer than it has been since January, 1998 and is 30% higher than it was at the same time in 2001.

In addition to renter households in core need, there were over 6,000 owner households in core need in 1996, an increase of 50% from 1991. Of these the largest group were one person households, indicating the difficulty that this group has in accessing homeownership.

8.0 Emerging Issues and the Future - Forecast Trends

8.1 Long Term Forecasts – Household Growth

The table that follows is based on population and dwelling unit projections prepared for the Regional Growth Strategy. As indicated elsewhere in this paper, households and dwelling units are synonymous – a household is defined as all the people that live in a self-contained dwelling unit. By definition then, a dwelling unit projection is the same as a household growth projection.

“Household growth – the major source of housing demand – occurs as the population grows and ages and as preferences for particular living arrangements shift in response to social and economic forces. Household growth projections begin with population projections, but since the individuals in a population can house themselves in any number of ways, the relationship between population growth and household growth is far from exact. To transform population projections into household and dwelling unit projections, assumptions about the way in which the population will form households in the future are required. Projections of dwelling type choices are then made based on the characteristics of projected households, specifically the age of the household head and the type of household. From start to finish, the process of producing household growth scenarios involves a sequential projection of population, households, and tenure and dwelling type choices, the output of each stage serving as an input to the next.”³⁰

The forecasts are based on historical occupancy patterns, which are unlikely to remain entirely fixed. For example, housing type choices could respond to a variety of non-demographic influences such as housing affordability, the relative costs of owning versus renting, expectations concerning appreciation in house prices, availability of suitable forms of housing, and overall perceptions of the desirability of ownership versus rental.

The basis of the forecasting sequence is population projections. In the case of the Regional Growth Strategy forecasts, population projections are based on the BC Stats forecasting model, known as the PEOPLE series (Population Extrapolations for Organizational Planning with Less Error), which is revised annually. The RGS is based on PEOPLE 24.

The population of the region is forecast to increase to 407,900 people by 2026, an increase of 90,000 people from the population in 1996 (the forecasts were prepared before results from the 2001 Census were available).

³⁰ CMHC The Long Term Housing Outlook.

In terms of dwelling units, "The Capital Regional District Growth Strategy" indicated the increased population would be distributed as follows:

<i>Dwelling Unit Type</i>	<i># in 1996</i>	<i># in 2026</i>	<i>Increase (%)</i>
Single/Duplex	82,630	97,700	15,070 (18%)
Other ground oriented	10,400	25,300	14,900 (43%)
Apartments	41,920	64,600	22,680 (54%)
Total	134,940	187,500	52,560 (39%)

In Fall 2002, regional municipalities provided updates for the Urban Capacity Inventory. This information is shown in detail in Table 28 (see next page). It is interesting to compare the 1996 data with the summary information from the 2002 update, as shown below, and to note the reductions in capacity over a 6 year period.

<i>Dwelling Unit Type</i>	<i># in 2002</i>	<i># in 2026</i>	<i>Increase (%)</i>
Single/Duplex	86,325	97,700	11,375 (13%)
Other ground oriented	10,567	25,300	14,733 (42%)
Apartments	44,769	64,600	19,831 (44%)
Total	141,661	187,500	45,839 (32%)

Increased units will be accommodated primarily in the core municipalities (16,389) and in the Western Communities (22,497). An additional 4,388 units will be located in the Saanich Peninsula.

Table 28: Dwelling Units by Jurisdiction – Existing in 2002* and Forecast Capacity

Jurisdiction	Dwelling Type*	Existing Dwellings (2002)*	Forecast Capacity (2026)
Central Saanich	TOTAL	6,171	7,200
	Single Family detached/Duplex	4,936	5,200
	Other ground-oriented	559	600
	Apartments	676	1,400
North Saanich	TOTAL	4,306	5,100
	Single Family detached/Duplex	4,156	4,800
	Other ground-oriented	140	200
	Apartments	20	30
Sidney	TOTAL	5,735	8,400
	Single Family detached/Duplex	3,293	3,400
	Other ground-oriented	693	1,600
	Apartments	1,749	3,400
Saanich Peninsula Sub-total		16,212	20,600
Esquimalt	TOTAL	7,858	10,700
	Single Family detached/Duplex	3,732	3,800
	Other ground-oriented	620	1,100
	Apartments	3,506	5,800
Oak Bay	TOTAL	8,010	8,600
	Single Family detached/Duplex	5,811	6,300
	Other ground-oriented	122	140
	Apartments	2,245	2,200
Saanich	TOTAL	43,626	51,500
	Single Family detached/Duplex	32,014	31,500
	Other ground-oriented	3,656	6,500
	Apartments	7,956	13,500
Victoria	TOTAL	42,139	47,500
	Single Family detached/Duplex	12,656	12,400
	Other ground-oriented	2,352	5,600
	Apartments	27,131	29,400
Core Municipalities Subtotal		101,811	118,200
Colwood	TOTAL	5,146	12,800
	Single Family detached/Duplex	4,488	7,200
	Other ground-oriented	293	2,200
	Apartments	365	3,400
Highlands	TOTAL	624	800
	Single Family detached/Duplex	601	800
	Other ground-oriented	23	23
	Apartments	0	0
Langford	TOTAL	7,684	17,800
	Single Family detached/Duplex	6,436	9,500
	Other ground-oriented	770	4,400
	Apartments	478	3,800
Metchosin	TOTAL	1,722	2,000
	Single Family detached/Duplex	1,666	1,900
	Other ground-oriented	45	50
	Apartments	11	30
Sooke District	TOTAL	3,347	6,100
	Single Family detached/Duplex	2,730	5,500
	Other ground-oriented	385	380
	Apartments	232	230
View Royal	TOTAL	3,307	4,700
	Single Family detached/Duplex	2,124	2,100
	Other ground-oriented	783	1,200
	Apartments	400	1,400
Juan de Fuca Electoral Area	TOTAL	1,808	2,500
	Single Family detached/Duplex	1,682	2,400
	Other ground-oriented	126	120
	Apartments	0	0
Western Communities Subtotal		24,103	46,600

Table 28 is based on Table 1: Population, Dwelling Unit and Employment Forecast, "The Capital Regional District Growth Strategy" (2000), p.25. *Note: The 2002 data is based on 1996 data updated with information on total new units built between 1996 and 2002 received from municipalities.

8.2 Short Term Forecasts – Affordability

The charts that follow forecast renter and owner affordability over the next 10 years.³¹

Each set of charts compares forecast movements in rents and prices with forecast movements in incomes. The result is an index or ratio based on a comparison between rent and price increases on the one hand, and income increases on the other. *The higher the index, the more difficult it is to afford to rent an apartment or buy a home.*

To take an example, the first chart is based on the overall rental market in the Victoria Census Metropolitan Area (CMA). The chart shows that in 1992, the ratio between the incomes of renters and the average rent of one bedroom apartments was .27. That figure was derived from a comparison between the average³² income of unattached individuals in the CMA in that year, \$26,263 or \$2,188 per month, with the average rent of one bedroom apartments in that year, \$592 ($\$2,188 / \$592 = .27$). Until 2000, the index is based on actual data; beyond 2000, the index is based on forecast data.

A straight line on the charts means that the relative affordability of that particular housing type is stable. An upward sloping line means that affordability is getting worse. For example, the overall ownership affordability chart shows the indexes increasing from about .3 in the mid-eighties to the mid-.4 range beyond 2005 – that is, worsening affordability.

The first five charts apply to the rental market; the last four to the ownership market. The charts were constructed as follows. The source of the data appears at the end of this document.

- **The income component** is based on the median pre-tax income required to cover the cost to buy/rent a dwelling assuming a 32 per cent gross debt service ratio. Note that median household income has been used wherever possible instead of average income to avoid distortions caused by extreme values. However, it was necessary to use average individual incomes for the Bachelor, 1 bedroom, and 2 bedroom Renter Affordability Indexes because of data reliability problems associated with median income for individuals.
- For the rental indexes, **the average rents** for Bachelor, 1-bedroom, and two plus bedrooms were used.

³¹ Source is Economic Data Consultants Inc. and a member of the consulting team for the Regional Housing Affordability Strategy.

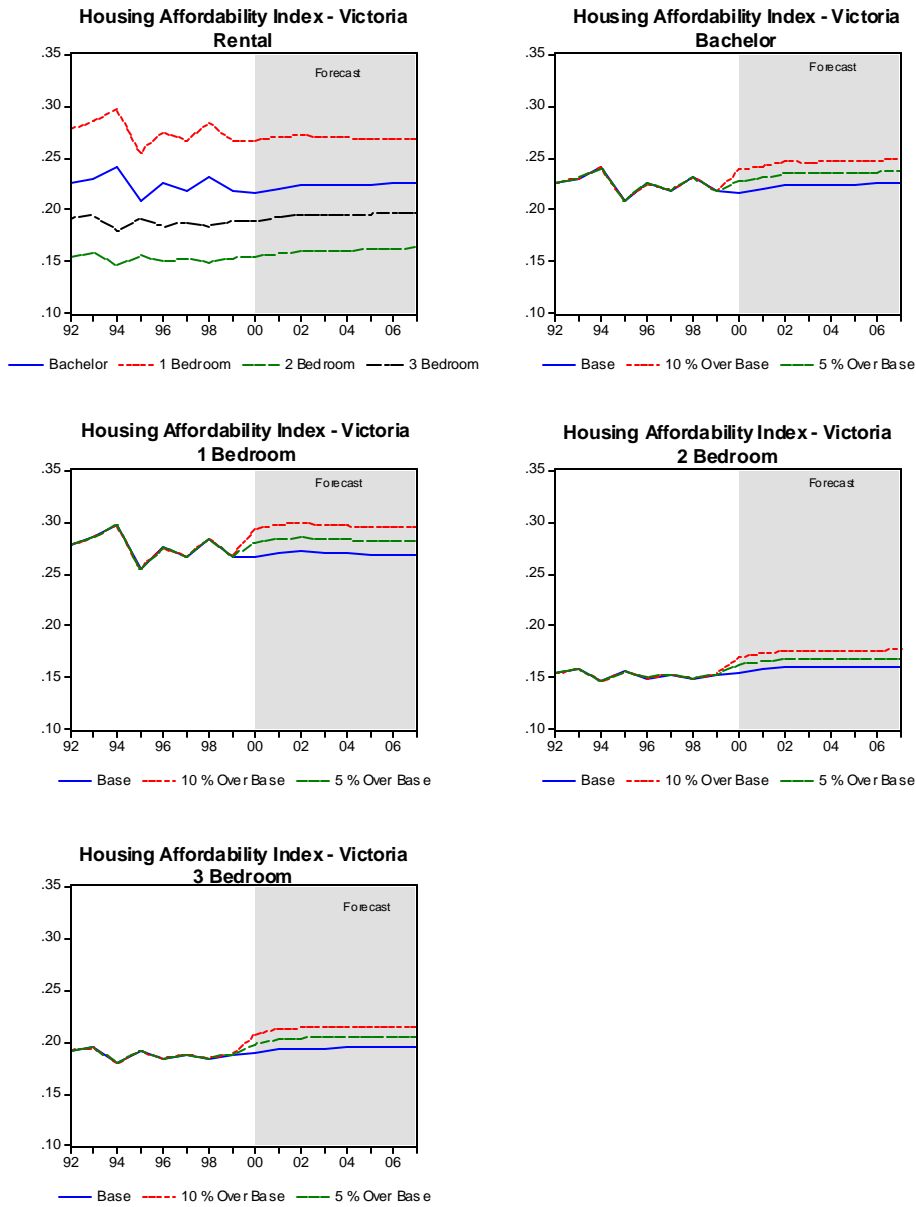
³² It was not possible to use median incomes in this calculation.

- The ownership affordability indexes show the proportion of median pre-tax household income necessary to obtain a dwelling. The Home Ownership Affordability index includes **the principal and interest** (associated with the average house price for Single-detached, Row and Apartments, assuming a 5 or 10 per cent down payment, 5-year-term closed mortgage rate, 25-year amortization term, and CMHC insurance fees), **the average property taxes for a dwelling, utilities for a average dwelling, and condo fees for apartment and row dwellings.**

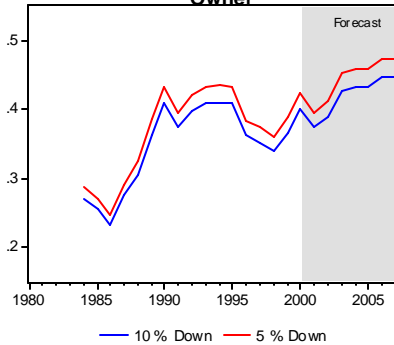
In terms of the rental market, the charts show that over the next ten years, the renter affordability index should be fairly stable. Rents have been quite stable for the past decade and are not forecast to increase significantly beyond anticipated incomes for a variety of reasons, including a decline in the number of younger households, who typically rent. However, policy and decision-makers must keep in mind that rental housing is not being built and there are concerns regarding the loss of existing rental stock.

The ownership indexes are more volatile, essentially because house prices, particularly single detached house prices, are forecast to rise relatively more rapidly than rents in comparison to incomes. The forecasts are based on 5% down payment and 10% down payment.

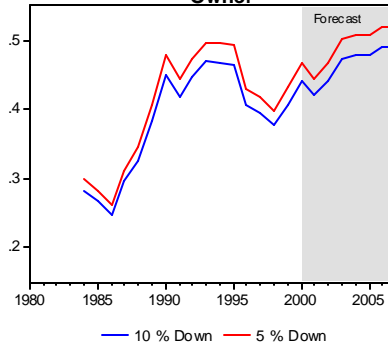
A final caveat is that these projections are based on assumptions made of past trends. The region has experienced relatively slow growth during the last 10 years. If conditions do not continue as they have done (for example, if interest rates rise above their present 30-year lows) then the conclusions will differ. The effects of increasing land scarcity is also not considered in these projections.



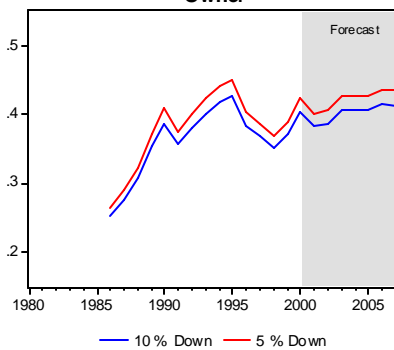
**Total Housing Affordability Index - Victoria
Owner**



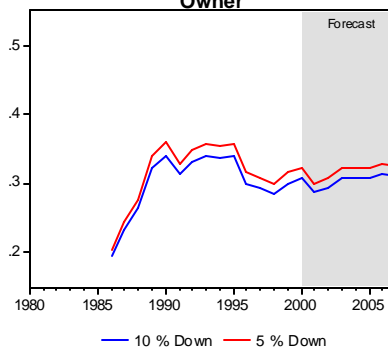
**Single Housing Affordability Index - Victoria
Owner**



**Row Housing Affordability Index - Victoria
Owner**



**Condo Housing Affordability Index - Victoria
Owner**



Data Sources

Average MLS Price for single-detached, row, and apartments

Historical: CMHC, VREB.

Forecast: ARIMA model and Exponential Smoothing with input from Lee King and Peggy Prill from CMHC.

Average Property Taxes

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the British Columbia CPI component for taxes were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Average Condo Fees

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the British Columbia CPI component for taxes were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Average Utilities

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the Victoria CPI component for utilities were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Rent for an Average Bachelor, 1-bedroom, and 2-bedrooms

Historical: CMHC

Forecast: Exponential Smoothing with input from Lee King and Peggy Prill from CMHC.

Required Income

Historical: Statistics Canada

Forecast: Exponential Smoothing with input from Lee King and Peggy Prill from CMHC.

Average Property Taxes

Historical: Statistics Canada, Family Expenditure Survey

Average Utilities

Historical: Statistics Canada, Family Expenditure Survey

Average Condo Fees

Historical: Statistics Canada, Family Expenditure Survey

9.0 Goals and Objectives

The vision for this project is: “improved housing affordability that will ensure that all residents of the Capital Region – especially low and moderate-income households, the elderly, youth, those with special health and other needs, and the homeless – have reasonable choice of housing by type, tenure, price, and location.”

To achieve the vision the following key goals and related objectives were identified for the project.³³

Goal: To develop a practical and effective Regional Housing Affordability Strategy for the Capital Region over both the short and the long term resulting in a significantly greater number of more-affordable homes than if there was no strategy at all.

Objectives:

- To create buy-in for the solutions recommended, by municipalities, senior governments, housing providers, the home building industry and the public.
- To define specifically how the municipal level of government, and other stakeholders, will address housing affordability needs.
- To identify specific, immediate actions that can be taken by specified stakeholders in the short, medium and long term, to address housing issues and needs.
- To foster and achieve innovation and creativity in resolving housing issues.
- To facilitate the development and maintenance of housing stock.
- To develop a strategy that is integrated with the other regional strategic initiatives on transportation and economic development, and which recognizes the interrelationships between housing and these other aspects of the sustainable community.

Goal: To improve community understanding of housing affordability issues in the CRD.

Objectives:

- To provide reliable, widely accessible information that is a common base for the community and for public and private stakeholders when participating in creating housing solutions.
- To increase awareness of the hardships of living without safe and affordable housing, and of resulting effects on the whole region and its economy.
- To develop model policies and actions to increase awareness and change public attitudes.
- To provide strategies to reduce unwarranted opposition to change in residential and other neighbourhoods, and to challenge this attitude at the individual, neighbourhood and municipal levels.

³³ The objectives were identified for the Regional Housing Affordability Strategy in conjunction with the Steering Committee of the Housing Affordability Partnership, a local entity made up of representatives from numerous stakeholder organizations.

- To shift public attitudes towards “affordable” housing and multiple housing forms in general.

Goal: To establish a working model community-based support and for partnerships for improving housing affordability.

Objectives:

- To develop the strategy via an inclusive process that involves the community, stakeholders, and all levels of government, and encourages awareness of housing issues, and dialogue between the parties mentioned above.
- To encourage mechanisms for inclusive, efficient and effective cross-sectoral participation.
- To develop lasting partnerships and cooperation among the stakeholders.

Goal: To make recommendations to improve the public process to increase housing affordability and the supply of housing that is more-affordable.

Objective:

- To look at options for facilitating mediation and reducing the time and costs associated with the public process while retaining its principles.

Goal: To establish financing options that are community based and allow community groups and municipalities to work together.

Objective:

- To suggest mechanisms that coordinate related programs and services, and increase funding leverage.

Goal: To make recommendations to alleviate regulatory complexity and associated costs that impact housing affordability.

Objectives:

- To make recommendations to remove obstacles to the supply of affordably priced market and non-market housing, region-wide, consistent with the overall growth management goals of the RGS.
- To recommend short and medium term policies that are focussed and practical, and will take into consideration the need for housing for people of all incomes and situations, abilities, genders, family structure and age.
- To develop a strategy that is flexible, that can be adjusted to meet the different needs of different parts of the region, and with solutions that are transferable to various jurisdictions.

Goal: Establish a framework for on-going monitoring and evaluation.

Objective:

- To establish reasonable targets, measurable outcomes and the framework of a monitoring system with which to evaluate short and long term progress toward the strategy’s goals, in each municipality of the region.

The Housing Affordability Strategy cannot rely on the traditional housing responses and solutions. It will have to be creative and community based in character, and generate community investment and commitment to encouraging the development of non-market housing in the absence of government funding. The strategy will have to be sustainable, meaning the community capacity to manage and implement the strategy will have to be developed.

One key challenge of the Housing Affordability Strategy will be to nurture a supportive local government environment across the region which encourages collaboration and innovation, in looking at ways to build and generate capacity. While local governments cannot make up for the lost funding for new social housing units, they do have considerable resources to contribute. First of all, they are in the best position to bring on board the wide range of community interests – including public and private sector providers, and community-based organizations – that could contribute to addressing local housing affordability needs. Secondly, local governments have control over policy areas that can have a significant impact on housing affordability, including land availability, zoning regulations, development fees, property taxes, and so on.

APPENDIX A: Project Pro-Forma #1 – Private Developer (assumes 6.5% & market rents)

APPENDIX B: Core Housing Need Methodology

APPENDIX A: Project Pro-Forma #1 – Private Developer

(assumes 6.5% & market rents)

The Kenneth Street proposal involved an undeveloped four-acre site held by the Victoria School Board #61 in Saanich. It is located next to an existing school and recreation centre. The proposed cost of the land was about \$1.6 million or \$26,600 per unit based on a relatively high density of fifteen units per acre.

The “hard” construction costs that include labour and materials for the actual construction but exclude the land purchase, site servicing costs, permits, fees, landscaping and appliances, were estimated to be \$5.5 million or about \$91,670 per unit. The buildable square foot costs work out to be \$76.39. This is probably at the high end of what one would expect for the construction of a new “average quality” town-housing unit based on data obtained from local quantity surveyors.

The “soft costs” for the project were estimated to be a little over \$1 million. Soft costs typically include such things such as interest costs during construction, insurance, lender fees, engineering and architectural fees, as well as, mortgage insurance premiums and fees. The total costs of construction were estimated to be approximately \$8.6 million or about \$143,323 per unit.

Table I: Estimated capital costs of a new 60-unit town housing project

Cost component:	Capital costs:	Cost per unit	Cost per sq. ft.
Land purchase	\$1,596,000	\$26,600.00	
Hard construction costs	5,500,240	91,670.67	\$76.39
Other costs (servicing, fees etc.)	499,000	8,316.67	6.93
Soft costs	<u>1,004,165</u>	<u>16,736.08</u>	13.95
Total costs	\$8,599,405	\$143,323.42	

*Based on data obtained from Capital Region Housing Corporation and Cottage Grove Developments Ltd.

It is worth noting that a potential developer / investor has control over less than two-thirds of the total construction costs. The estimated “hard construction costs” of \$5.5 million represent only 64.0 % of the project’s \$8.56 million total costs. Land costs represent almost 20 % and various fees, including building permits and development cost charges, represent about 17.5 % of the total project costs.

It is also worth noting that up to \$915,000 of the \$5.5 million in hard construction costs relates to the federal GST and the provincial PST.

A private investor's decision whether or not to invest in a new rental housing project is not directly determined by its construction costs. The investment decision is influenced by the potential for future appreciation in real estate values, the level of mortgage financing that might be available and the rate of return expected from the investment.

In the case of the proposed Kenneth Street project, a private developer would probably not be able to secure mortgage financing of any more than \$5.6 million based on "high ratio" or NHA Mortgage Insurance underwriting criteria. This means that only two-thirds of the estimated construction costs of \$8.6 million could be financed and that an investment of about \$3 million from the developer's own resources would be required. It also means that the investor's before tax return on investment would only be in the range of 2-3 % based on a before tax cash flow of about \$63,500.

Table 2: Estimated operating income for a new sixty-unit town housing project

Operating income:		
Rental income	(\$1,050 per unit)	\$756,000
Vacancy loss	(2%)	<u>15,120</u>
Effective gross income		\$740,880
Operating expenses:		
Property taxes	(\$866.67 per unit)	\$52,000
Insurance		6,000
Energy & utilities		16,000
Maintenance		24,000
Janitor		25,000
Management & admin.		60,480
Other		<u>41,976</u>
Total operating expense		<u>\$225,457</u>
Net operating income:		\$515,423
Mortgage expense	\$5.578 mil @ 6.5 %	<u>\$451,968</u>
Before tax cash flow		\$63,455

*Based on data obtained from Capital Region Housing Corporation and Cottage Grove Developments Ltd.

An initial rate of return 2-3 % would be far from attractive to any investor given the inherent risks of residential construction and on going management. Government of Canada bonds provide the same kind of return with virtually no risk and far greater liquidity.

Unless the before tax rate of return to an investor can be improved to the level 8-10 %, it is unlikely that any significant amount of new private rental accommodation will be developed in the foreseeable future in either the Capital Regional District or the rest of Canada.

The rate of return that can be expected from a new rental project really depends on four key variables:

- Market rents
- Mortgage interest rates
- Land costs
- Construction costs

The proposed Kenneth Street would have generated a more attractive rate of return to an investor of about 8.3 % if the rents could have been increased from the market level of \$1,050 per month to \$1,350. The resulting \$300 per month (28.6 %) increase in rents would have enabled the project to support more than \$2 million in additional mortgage financing from \$5.6 million to \$7.68 million. This in turn would have reduced the investor's required equity position from approximately \$3 million to only \$1 million with a much more attractive before tax rate of return of 8.3 %.

The 6.5 % mortgage interest rate used to assess the financial viability of the Kenneth Street proposal would probably have been too conservative if the project had been able to proceed in 2001 and finalize its mortgage financing arrangements in early 2002. Even though first mortgage interest rates have typically been in the 8-10 % range for most of the past decade, NHA mortgage rates for rental loans did fall to about 4.5 % during 2002.

If rental loan interest rates were to stabilize in the 4.5-5 % range, which would be their lowest level in four decades, the Kenneth Street project would be able to support \$1.2 million more in first mortgage financing. This would have decreased the investor's equity position from about \$3 million to \$1.9 million but would only enhance the before tax rate of return of the investor from 2.1 % to about 3.4 % which is still not enough to made the project viable investment.

If interest rates were to increase to 8.5 %, the available level of first mortgage financing would fall to approximately \$4.7 million for the proposed Kenneth Street project. The developer would be unable to finance more than 45 % of the project's total costs and his before tax rate of return would decline to only slightly more than 1.5 %.

Although land costs are undeniably important to the financial viability of any real estate development, it is interesting to note that the Kenneth Street project would not have been an attractive investment opportunity even if the land with a market value of \$1,596,000 had been donated for free. The investor's equity position would still have been in excess of \$1.3 million and his before tax return would have been only 5 %.

In order to achieve a 7.45 % before tax rate of return for the Kenneth Street project, a developer/investor would have to reduce the hard construction costs by almost one-third from \$5,500,240 to \$3,500,000. The cost per buildable square foot would have to be reduced from about \$76.40 to \$48.60.

APPENDIX B: Core Housing Need Methodology

Core Need Calculations

CMHC's core need model has two stages. The first identifies households living below currently accepted housing standards. The second determines whether or not these households, given their incomes, could obtain housing meeting standards. The standards in question relate to affordability (the ratio of shelter cost to income or STIR), suitability (crowding), and adequacy (state of repair).

Stage 1: The first step in determining the number of households in core housing need is to identify households living below accepted housing standards. These households experience at least one of the following three conditions: they pay 30% or more of their income on shelter *involuntarily* (and thus are below the affordability standard); they lack sufficient bedrooms, given the size and composition of their household (and therefore fall below the suitability standard); or they live in a dwelling in need of major repair (and thus fall below the adequacy standard which requires that a dwelling need only minor repairs or regular maintenance). The required number of bedrooms is determined through application of the National Occupancy Standard, which is sensitive to household size and composition, including age, gender and family structure.

Stage 2: In the second stage of the core housing need model, households identified as living in housing that does not meet one or more of the three standards are tested to see whether they have the means to rent housing that does meet all standards. If a household's income is at or below the appropriate housing market-specific core need income threshold, it is considered to be in core housing need. Households with incomes above the relevant income threshold are not considered to be in core housing need; given their incomes, they would be able to afford appropriate housing but, for whatever reason, have chosen to remain where they are.

Demand Housing Affordability Index

The demand housing affordability index shows the proportion of median pre-tax household income necessary to obtain a dwelling. The higher the index the more difficult it is to afford a dwelling. For example, 75% means that home ownership/renter costs take up 75% of a typical pre-tax income.

Two indexes have been calculated: Home Ownership Affordability and Renter Affordability.

The Home Ownership Affordability index includes the principal and interest (associated with the average house price for Single-detached, Row and Apartments, assuming a 5 or 10 per cent down payment, 5-year-term closed mortgage rate, 25-year amortization term, and CMHC insurance fees), the average property taxes for a dwelling, utilities for a average dwelling, and condo fees for apartment and row dwellings. For Renter Affordability the rent paid for a Bachelor, Average 1-bedroom, and Average 2-bedrooms were used to estimate the cost to rent.

Essentially, the index can be divided into two components. 1) The cost to buy/rent a dwelling, 2) Required income.

1) The Cost to Buy/Rent a dwelling

To calculate the cost to buy a dwelling the principal and interest (associated with the average house price, assuming a 5 or 10 per cent down payment, 5-year-term closed mortgage rate, 25-year amortization term, and CMHC insurance fees), the average property taxes for a dwelling, and the utilities for a average dwelling were included.

To calculate the cost to rent a dwelling the rent for a Bachelor, Average 1-bedroom, and average two plus bedrooms were used.

Data Sources:

Average MLS Price for single-detached, row, and apartments

Historical: CMHC, VREB.

Forecast: ARIMA model and Exponential Smoothing with input from Lee King and Peggy Prill from CMHC.

Average Property Taxes

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the British Columbia CPI component for taxes were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Average Condo Fees

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the British Columbia CPI component for taxes were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Average Utilities

Historical: Statistics Canada, Family Expenditure Survey. The use of the historical growth rates from the Victoria CPI component for utilities were used to estimate and create a longer historical data series.

Forecast: Exponential Smoothing.

Rent for an Average Bachelor, 1-bedroom, and 2-bedrooms

Historical: CMHC

Forecast: Exponential Smoothing with input from Lee King and Peggy Prill from CMHC.

2) Required Income

The median pre-tax income required to cover the cost to buy/rent a dwelling assumes a 32 per cent gross debt service ratio. Note median household income will be used instead of mean income to avoid distortions caused by extreme values. Also note mean individual income will be used when calculating the Bachelor, 1 bedroom, and 2 bedroom Renter Affordability Indexes. Due to data reliability problems associated with median income for individuals, mean income was used.

Data Sources:

Required Income

Historical: Statistics Canada



Appendix to Working Paper #1: What the Data Tell Us
A Regional Housing Affordability Strategy for The Capital Region

CRD Regional Planning Services 2nd Floor 510 Yates Street PO Box 1000 Victoria BC V8W 2S6
Telephone 250.360.3160 Fax 250.360.3159 <http://www.crd.bc.ca/regplan/RGS/Reports/Strategic/Has.htm>