

# REGIONAL AFFORDABLE HOUSING TRUST FUND

## BUSINESS CASE REVIEW AND CONSIDERATION SEPTEMBER 2009

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## **REGIONAL AFFORDABLE HOUSING TRUST FUND BUSINESS CASE - REVIEW AND CONSIDERATION**

### **Executive Summary**

The RHTF has significantly increased the Capital Region's ability to raise funds for affordable housing, by raising an ongoing equity stake that can be used to leverage additional funds primarily from senior levels of government and the private sector.

The business case highlights for continuing the RHTF are as follows:

- The leveraging of funding far exceeded the original minimum 5 to 1.
- The funding committed to date of \$3.2 million has developed in excess of \$49 million of community affordable housing assets.
- Private development industry and non-profit agencies have proved a willingness to participate and donate significant funds, totaling over \$9.8 million.
- The senior levels of government have come to the table over the past five years with significant grant funding of \$21.9 million and loan funding of \$13.6 million.
- There is every indication of improved cooperation with the senior levels of government as we move forward to develop a stronger partnership for affordable housing development.
- The level of municipal participation has increased from inception of five members to presently 11 members.
- The United Way of Greater Victoria has focused one of their major campaigns addressing the homeless and affordable housing.
- The CRD Housing Secretariat has been requested to administer the Federal Homelessness Partnership Funding, for the years 2010 and 2011.

The operation of the Regional Housing Trust Fund has proven to be an effective and strategic vehicle which has enabled the CRD to implement many of the goals and strategies as outlined in the Regional Housing Affordability Strategy and Regional Growth Strategy. The fund has been successful at incubating and supporting the development of affordable housing by leveraging pooled funding contributions.

The continuance of the fund will be viewed by the Regional Community, the Senior Levels of Government and Private Industry as a strong commitment to be a significant partner to address the critical affordable and homeless issues facing our District.

## Background

The CRD's adopted 2003 Regional Growth Strategy (RGS) recognizes housing affordability as a regional priority and key issue in the Capital Region. Since that time a number of major milestones have occurred in response to these regional strategies;

- In March 2005 a Regional Housing Trust Fund (RHTF) was created under CRD bylaw 3266.
- In July 2007 the Regional Housing Affordability Strategy (RHAS) was adopted.
- In May 2007 the CRD Housing Secretariat was created to action RHAS and to administer the operations of the RHTF.
- The CRD 2009-2011 Strategic Plan identifies Affordable Housing as one of its key priorities.

The following Key Objectives were developed to address this key priority:

1. Improved cooperation between community organizations, all levels of government and the private sector in the funding and delivery of affordable housing initiatives.
2. Securing funding commitments from all levels of government to assist in the creation and delivery of affordable housing programs.
3. Securing full CRD municipal participation in the Regional Housing Trust Fund in 2010. (10 of 13 municipalities now participating, Town of Sidney approved to join in 2010)
4. Provide affordable housing policy advisory and facilitation services to municipalities, community organizations and nonprofits housing societies.
5. Assist the Greater Victoria Coalition to End Homelessness in meeting their six-year Housing Procurement Action Plan as adopted in April 2009.
6. Governments and communities will recognize that the provision of affordable housing for all of its citizens will significantly reduce other public sector expenditures.
7. To achieve a 25% reduction in the number of households in core need between 2001 and 2011.

## **The Benefits of Affordable Housing**

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

- Affordable housing provides low and moderate income families with a stable place to raise children, build social networks and access opportunities for employment, training and education. Children in families that have to move frequently are particularly vulnerable to stress, health and dental problems and are at an educational disadvantage that perpetuates poverty and ultimately the cost to society.
- Safe, stable and affordable housing provides the basic infrastructure necessary to keep safe, warm, dry and healthy. Without adequate housing it is difficult for an individual to maintain health or access health services — interventions for those who do not have adequate housing are generally some of the most expensive in the social welfare system. For the homeless the average annual community service support costs can exceed \$55,000.
- A supply of affordable housing can eliminate a basic roadblock to business investment and growth. High housing costs hinder economic development, using up income households would otherwise spend on other goods and services and making it difficult to attract and recruit qualified workers.

## **The Benefits of a Regional Affordable Housing Trust Fund**

Housing Trust Funds (HTF) were created to provide a way to create and preserve affordable housing in partnership with senior government housing agency funding. They are defined as distinct funds established by legislation, bylaw or resolution to receive public revenues, which can only be spent on housing, more particularly just to support the capital cost aspects. In Canada, funds exist in at least 15 municipalities, including 10 in BC.

The following two sections of the report outline the principles and focused objectives that were adopted to guide in the operations of the proposed Regional Housing Trust Fund in March 2005. The original objective and principal will be in *italics* followed by the realized RHTF performance reports.

## **Principles Adopted to Guide the Regional Housing Trust Fund**

The following provides a brief report on how the original guiding principles as identified by the Regional Planning Committee, were responded to within the operations of the RHTF.

***1. Municipal participation in the RHTF would be voluntary.***

Participation in the RHTF continues to be voluntary. There were 5 founding municipalities to the program. At present there are 11 participants with only Langford, Gulf Islands, Highlands and Colwood not participating in the RHTF.

***2. The CRD would requisition funds annually from participating municipalities and electoral areas.***

For 2009 the CRD requisition of RHTF funds is outlined in the attached chart. Should there be full participation the fund would generate \$1 million annually.

***3. Accountability for the final disbursement of funds would rest with elected decision-makers on the Board.***

The annual operating budgets for the five years of the RHTF operations have been approved by the CRD Board. In addition the CRD Board has approved commitment of all funding under this program.

***4. A non-political advisory body representative of the various community interests in affordable housing across the Capital Region would make recommendations to the Board within the context of established strategic priorities.***

In July 2005 the Regional Housing Trust Fund Advisory Committee was created, comprised of various funding partners and major stakeholders. The Committee provides an independent analysis of RHTF applications and funding recommendations to the RHTF Commission.

***5. Only participating municipalities would have the right to vote on matters relating to the RHTF.***

Only those municipalities participating have membership on the RHTF Commission and only participating municipalities take part in the final review and approval of the RHTF funding recommendations.

***6. For a funding request to pass it must receive the support of at least three participating municipalities.***

This has proved not to be an issue even at the initial startup stage when there were only five participating municipalities.

***7. All eligible projects must leverage funds from other sources, either senior government or private, and proceed as partnerships.***

The initial minimum leveraging was suggested to be a minimum of 5 to 1. As the attached RHTF report indicates, an average leveraging of 15 to 1 has been achieved. Both the community and the private development industry have proved to be significant donation and equity contributors in the development and acquisition of housing projects.

**8. Distribution of the funds would be based on identified need and opportunity, coupled with a concern for ensuring a fair share across the participating municipalities.**

The distribution of RHTF funding is summarized as follows; Salt Spring Island - two projects, Saanich - two projects, Sooke - one project and Victoria - 11 projects. Affordable housing projects have been considered for development in all of the participating municipalities.

**9. Housing providers other than the Capital Region Housing Corporation would also be able to propose projects for funding.**

Over the first five years of the RHTF program the Capital Region Housing Corporation has participated with the Parry Place and Dockside Green rental housing proposal.

The program has also been instrumental in funding projects by non-profit housing agencies such as Fernwood Neighbourhood Resource Group in Victoria; Salt Spring Island Land Bank Society and Salt Spring Island Community Services Society on Salt Spring; Roofs & Roots Housing Cooperative in Victoria and the Victoria Transition House Society in Saanich. M'akola Housing, Pacifica Housing, The Cridge Centre for the Family and Greater Victoria Housing Society each have participated with single or multiple projects.

**10. No more than 5% of funds collected on an annual basis could be used to administer and monitor the RHTF.**

The following table demonstrates that administration costs are consistently below the maximum allowed.

<b>Year</b>	<b>Requisition</b>	<b>Admin Costs</b>	<b>Percentage</b>
2005	614,616	\$15,400	2.5%
2006	674,784	\$21,370	3%
2007	762,816	19,920	2.6%
2008	823,478	29,141	3.5%
2009	823,478	31,736 (estimated)	3.8%

**11. Housing proposals would be considered on a rolling call basis within the guidelines established by the Board in the approved service and operations plans.**

The RHTF Commission has instituted a rolling call application process in conjunction with a "letter of intent" application that facilitates non-profit housing societies to effectively coordinate the funding available with the very complicated challenges of the affordable housing development activity.

**12. Criteria for project evaluation would be established in the five-year strategic service plan and approved by the Board.**

In August 2005 an RHTF Advisory Committee was established with the mandate to evaluate application proposals in conjunction with Board approved evaluation criteria.

**13. Research of communities already operating housing trust funds would contribute to the identification of evaluation criteria for the Capital Region RHTF.**

Regular contact is maintained with the Edmonton Housing Trust Fund, City of Vancouver and the Canadian Housing and Renewal Association to monitor the operations of other housing trust funds in Canada. A direct comparative analysis with other housing trust funds may prove difficult since each of the funds is created and operated on quite a varying structure and basis.

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

The RHTF fund has been used strictly to support the "bricks and mortar" capital cost aspects over the past five years. There have been numerous requests for rent subsidy arrangements however such use of the funds would be contrary to the funding mandate and would be a very ineffectual use of the funding. Using the funds only to support capital expenditures maximizes the leveraging potential and ensures the maximum numbers of units are created that do not require ongoing senior government operating subsidy support.

## Trust Fund Objectives

**Stimulate and leverage financing for the acquisition, development and retention of affordable housing.**

**RHTF Performance:**

The Trust Fund has granted \$3.2 million toward capital assets valued at \$49 million, or leveraging of approximately 15 to 1. The original leveraging target was 5 to 1.

New construction	179 units	Provides housing for: <ul style="list-style-type: none"><li>• 70 families</li><li>• over 200 singles</li></ul>
Acquired/retained	109 units	
<b>Total</b>	<b>288 units</b>	

**Target funding to assist people in core housing need, primarily those with the lowest regional household incomes.**

**RHTF performance:**

Of the projects which have received RHTF grants:

83% of units house target tenants within the core need income threshold. (238 units)

74% of units include support services to the occupant. (213 units)

In May 2009 the RHTF Commission further refined and identified the future targeting of the funding as follows:

*That no less than 50% of the 2009/10 RHTF funding be targeted to proposed affordable housing projects where support services have been pre-identified for households and individuals within the core need income thresholds; and,*

*That funding in 2009/10 also be considered for project proposals that target tenants with incomes above core need income thresholds but are less than median incomes for the region, that also have strong community support, significant financial leveraging, and multiple funding partners.*

In July 2009 CMHC and BC Housing adopted the following core need income thresholds:

One person/couple household	\$32,000
2 to 3 persons	\$39,500
4 to 5 persons	\$50,000
6 persons +	\$53,500

***Partner and leverage the funding resources of private, federal, provincial and municipal sources.***

**RHTF performance:**

Projects receiving grants from the RHTF have received funding from federal, provincial and municipal governments, BC Real Estate Foundation, The United Way, The Victoria Foundation, and private industry.

- Private development industry and non-profit agencies have donated over \$9.8 million.
- Senior levels of government have provided significant grant funding of \$21.9 million and loan funding of \$13.6 million.

***Address the strategic directions outlined in the Capital Regional District's Regional Growth Strategy (RGS) and Regional Housing Affordability Strategy (RHAS).***

The RHAS report outlined five key strategies in addressing housing affordability in the Region.

**Strategy #1 Secure more funding for non-market and low-end market housing.**

This was largely achieved through the creation of the Regional Housing Trust Fund which as outlined has been instrumental in securing through high leveraging a significant amount of additional federal, provincial, community and private industry funding to assist in the development and retention of affordable housing.

**Strategy #2, 3 and 4** have been greatly facilitated and assisted through the creation and operation of the Regional Housing Trust Fund. The RHTF has proved to be a cornerstone to constructive and positive actions in the area of addressing the affordable housing.

**Strategy #5** The Housing Secretariat and the Greater Victoria Coalition to End Homelessness (Coalition) are working in close partnership to eliminate homelessness by 2018. In April 2009 the Coalition has adopted A Housing Procurement Action Plan. The CRD Housing Action Team and the Housing Secretariat has been commissioned to undertake the lead role in carrying out this Procurement Action Plan.

The Housing Secretariat is also working in partnership with the Coalition to take on the administrative responsibilities for the operation of the Federal Homelessness Partnership Strategy Funding targeted for startup and early 2010.

Project Sample Funding Analysis

<b>Project Name</b>	<b>Harrison Place</b>	<b>Parry Place</b>	<b>Murakami Gardens</b>	<b>Forest Heights</b>
<b>Location</b>	Saanich	Victoria	SS Island	Victoria
<b>Tenant</b>	Single women	Frail seniors	Special need/family	Family/singles
<b>Procurement</b>	New construction	New construction	New/Rehabilitation	Acquisition
<b>Total Capital Cost</b>	<b>5,161,101</b>	<b>6,300,000</b>	<b>5,060,000</b>	<b>1,945,000</b>
Society Donation	811,000	75,700 / 40,000	20,000	500,000
Federal RRAP			648,000	
Federal SEP	815,000			
Federal HPS	200,000			
Provincial Grant/Loan	2,500,000		1,312,000 / 1,900,000	150,000
Federal PDF	10,000		20,000	
United Way				
BC Real Estate Fund			50,000	100,000
Developer Donation	468,000	90,000 \ 145,000	760,000	200,000
Other Community Grants			45,000	150,000
Municipal Fund		50,000		
RHTF	300,000	300,000	324,000	250,000

