
Housing Trust Funds

Opportunities and Options

**Prepared for the CRD Housing Affordability
Strategy Partnership**

By

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Introduction

In October 2001, the CRD Board approved the initiation of a Regional Housing Affordability Strategy (RHAS) as one of the three implementation initiatives of the Regional Growth Strategy (RGS). The need for a strategy was strongly supported by residents. A public opinion poll taken as part of the RGS process found that 81% of residents in the region agreed there was a need for a regional strategy focused on affordable housing. In view of metro Victoria's status as one of the three most unaffordable housing markets in Canada, such public support is not surprising.

The Strategy was developed by a partnership of the CRD, Vancouver Island Health Authority, BC Housing, Capital Region Hospital Board, Canada Mortgage & Housing Corporation, and the Capital Region Housing Corporation. The consultants who worked with the partnership on the development of the strategy submitted their final report in July, 2003.

The consultants' final report identifies seven strategic directions that represent a collaborative, flexible and pragmatic combination of actions designed to address housing affordability issues in the region. Strategic Direction #1 is "Raise and lever additional funds for more affordable housing". The report makes four recommendations designed to achieve this goal, the first being the establishment of a regional housing trust.

In order to ensure the broadest possible understanding of what housing trusts are and how they operate in other places, this report has been prepared as a follow-up to the consultants' final RHAS report.

The report has six sections:

1. A brief discussion about the role that affordable housing plays in communities.
2. A summary of the affordable housing situation in the CRD as it exists today and as it may evolve in the future.
3. A description of what Housing Trust Funds are and why they are established.
4. Examples from other cities.
5. What a Housing Trust Fund could achieve in the CRD.
6. An outline of various options that could be considered relative to the establishment of a Housing Trust Fund in the CRD.

Section 1: Why Do Communities Need Affordable Housing?

The consultants' final report on the RHAS makes the following observation:

"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."

This view is shared by residents of the CRD, as the response to the RGS poll clearly indicates. Perhaps somewhat unexpectedly, it is also shared by the Economics Department of the Toronto-Dominion Bank, which recently took the somewhat unusual step of issuing a special report on the need for affordable housing in Canada. Its perspective is rather more economic than social:

“Affordable housing is frequently viewed as a social and health issue, but the fact of the matter is that it runs deeper than that. An inadequate housing supply can be a roadblock to business investment and growth.”¹

The July 2003 issue of Builder Magazine makes the same point:²

“The subject of our special report this month, workforce housing, strikes particularly close to home. The inability of rank and file workers – retail clerks, nurses, janitors and factory workers – to afford housing not only threatens to curtail housing growth, it negatively affects the ability to hire and retain workers, who must live farther and farther away from main employment centres. City officials increasingly realize that they can’t attract new businesses unless the people who will work for these companies have a place to live nearby.”

And from the City of Edmonton:

“Housing that is affordable, suitably sized, in a reasonable state of repair/operation, with a reasonable security of tenure, and which meets the needs of its lower-income residents is much more than a “cost to government” and is much more than shelter. Such housing positively affects health and social well-being, alleviates child poverty and homelessness, meets the needs of particular population groups, stimulates the economy, and is a major aspect of personal and community development.”³

As these quotes suggest, there is broad societal support for the notion that affordable housing is a critical ingredient of healthy communities. In fact, it is unlikely that anyone could be found who would dispute this notion. The debates arise over ways to achieve the goal.

¹ Toronto-Dominion Bank, Affordable Housing in Canada: In Search of a New Paradigm, June 2003.

² Builder Magazine, July, 2003.

³ City of Edmonton, Low Income and Special Needs Housing Strategy, 2001-2011, January 2001.

Section 2: The Affordable Housing Situation in the CRD

There are two basic dimensions to housing affordability. One dimension is the incidence of core housing need – the number of households who cannot obtain adequate housing without spending too high a proportion of their income for shelter. The other dimension is the degree of difficulty that prospective homeowners face in the housing market because of the cost of housing or the level of mortgage rates or both.

The metro Victoria housing market is one of the most expensive in the country - only Toronto and Vancouver have higher house prices. The latest data from CMHC indicates that the median price of a new single detached house in Victoria is \$332,400, up 15% from the same month in 2002.⁴ Even with the historically low interest rates currently available, an income of \$73,960 would be required to buy such a house.⁵ The median household income in the CRD is \$46,387. If interest rates increase even marginally, the impact on ownership affordability will be dramatic.

Equally ominously, new house prices increased by 15% between 2002 and 2003; resale house prices increased by 18%.⁶ Prices have not increased at this rate since 1989/1990, when the market was extremely active compared to market conditions over the last 10 years.

BC Stats reported on September 5, 2003, that land prices in Victoria increased by 11.5% between July 2002 and July 2003, the largest increase since 1994. In comparison, land prices in Vancouver increased by only 1.2% over the same time period.

One result of high housing prices is the fact that 22,000 households in the region cannot afford to obtain adequate shelter at a price they can afford.⁷ To put this number in perspective, Esquimalt, Oak Bay, and Langford together were home to 21,500 households in 1996. More households were in core housing need than the total number of households in all the Western Communities combined. It is very likely that results from the 2001 Census will indicate an increase in the number of households in core housing need.

Who are the people in core housing need? Two-thirds of them are renters and most are under the age of 65. On a geographic basis, the largest number of core need renters live in Victoria (over 9,000 households) and Saanich (over 3,000 households). However in proportion to the total number of renters, Langford is highest at 42% followed by Victoria (41.6%), Esquimalt (38.9%), and Sidney (36.2%).

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

⁴ CMHC, Housing Now, July 2003.

⁵ Assuming 10% down, a 6% interest rate, and \$2,500 annual property taxes.

⁶ CMHC, Victoria Housing Roundtable, September 2003.

⁷ These households are in core housing need, a concept that is based on affordability, adequacy and suitability of housing. It is a more rigorous and more restrictive definition of housing need than that based on the number of households paying over 30% of their income for housing.

- Close to 4,500 seniors having incomes between \$15,000 and \$22,000 /year cannot afford to spend more than \$400 to \$499/month.⁸

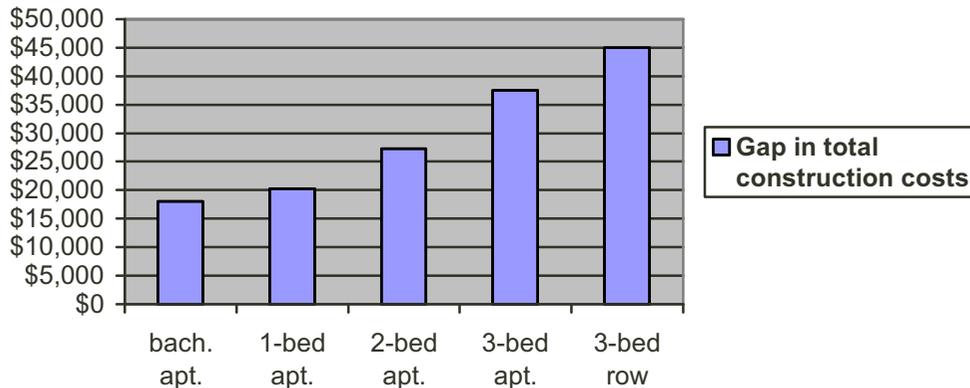
Only 10% of the region’s 25,000 apartment units rent for less than \$500 per month. An income of close to \$20,000 would be required to reasonably afford units renting at this level.

Households are in core need because they have incomes that are too low to afford the rent they must pay. This is a special concern in the Capital Regional District because of the importance of the tourism industry. In 2002, 10.6% of the CRD labour force was employed in Accommodation and Food Services compared to 8.7% of the provincial labour force.⁹ Tourism is a below average wage sector – as recently reported by BC Stats, average weekly earnings in BC’s tourism industry are 36% lower than the BC average.¹⁰ The high proportion of persons employed in low-end service and public administration jobs also raise this concern.

The private sector cannot meet the need for affordable housing

Most households in core housing need are renters. Renters have incomes that on average are half those of homeowners. The combination of low renter incomes and high building costs means that it is impossible for the private sector, on its own, to meet the need for affordable rental housing. The following chart clearly illustrates the gap – as an example, the cost of building a new two bedroom apartment unit would have to be reduced by over \$25,000 per unit to close the gap between construction cost and attainable rent levels.

Typical Capital Cost Reductions to Make New Rental Construction Viable



What does the future hold?

The major reason that housing is expensive in Victoria is because of high land costs. It does not cost more to build a house in Victoria than it does in Winnipeg or St. John’s, but land costs are far more expensive in Victoria. Land costs will further *increase* as the supply of developable land inside the Regional Urban Containment and Service Area diminishes, exacerbating the housing affordability problem faced by most households in the CRD. RGS forecasts indicate that all capacity for single detached/duplex units will be consumed by 2011 (or earlier). Capacity for townhouse units will also be exhausted before 2026.

⁸ Income data from 1996 Census (not adjusted).
⁹ CRD, Employed Labour Force by Industry.
¹⁰ BC Stats, The Tourism Labour Market, October 3, 2003.

Section 3: What is a Housing Trust Fund?

Housing Trust Funds (HTFs) were created to provide a way of building and preserving affordable housing in the absence of senior government funding. They are often called reserve funds in Canada and in BC are enabled by Section 499 of the Local Government Act (Special Reserve Funds).

They are defined as: “distinct funds established by legislation, ordinance or resolution to receive public revenues, which can only be spent on housing. The key characteristic of a housing trust fund is that it receives **on-going revenues from dedicated sources of public funding** such as taxes, fees or loan repayments. Typically, legislation or an ordinance is passed that increases an existing revenue source, such as a real estate transfer tax, with the increase being committed to the housing trust fund.”¹¹

Housing Trust Funds have been a feature of the American housing market for more than 30 years. Almost 300 separate housing trust funds have been established since 1980, when federal government support for the building of new affordable housing was withdrawn. Together, these funds spend more than \$750 million per year on affordable housing.¹² The latest initiative in the US is the creation of a national housing trust fund aimed at building and preserving over 1.5 million units of low cost rental housing over the next 10 years.

In Canada, funds exist in at least 13 Canadian municipalities, including eight in British Columbia. They tend to become established in cities with high housing costs.

Advantages of HTFs

- **Leverage:** HTFs create a source of equity that can be used to lever funds from other sources, both public and private. Without money, it is impossible to do anything, to take any action to meet the need for affordable housing.
- **Flexibility:** Funds are very flexible and can be structured to meet the particular housing needs of communities in which they are established. Most funds in Canada and the US support any type of housing provider – public, private, non-profit, for-profit – and any type of housing – rental, ownership, cooperative – that serves the targeted population. Virtually any type of housing activity can be funded including new construction, rehabilitation, rent supplements, land transfers at preferential rates, and many other mechanisms.
- **Targeting:** Because Funds are established locally to meet local needs, they can be precisely targeted to meet the most pressing needs. In the US, housing trust funds generally focus on housing that is affordable for households earning no more than 80% of the area’s median income. In the Capital Regional District, that would mean a maximum household income of \$37,109.¹³ Some funds focus exclusively on low income renter households, others on the homeless, still others include a spectrum of housing needs in their mandates. Municipalities could also target their contributions to deal with particular needs in their own communities, or could coordinate with other jurisdictions on its provision and distribution.

¹¹ Center for Community Change.

¹² The National Housing Trust Fund Campaign, [Background Information on Housing Trust Funds in the United States](#).

¹³ According to the 2001 Census, the median household income in the Victoria metropolitan area is \$46,387.

- Economic Development: As Section 5 explores in more detail, HTFs create jobs, training opportunities, and increased tax revenues.
- Partnerships: Housing Trust Funds rely on partnerships (including local governments) at the local level to accomplish their goal of building and preserving affordable housing. The facilitation of partnerships is a useful way to marshal resources from a number of community-based agencies and to create synergies.
- Innovation: Because they are flexible and local, HTFs tend to be very innovative in their approach to the development and operation of affordable housing.

Sources of funds

Sources of funds vary widely, depending on the level of government that establishes the fund. In the US, the 300 funds that currently exist are sponsored by city, state, and county governments; the establishment of a national fund is underway. States have access to sources such as real estate transactions – property purchase transfer taxes for example – which provide significant amounts of revenue (\$50 million on Vancouver Island alone, last budget year). As an example, Florida’s HTF received \$123 million from real estate transactions in 1998/99.¹⁴ In contrast, Boston’s HTF, which has been operating for 20 years, depends on so-called “linkage fees” for funding - \$5 per square foot is charged on certain new projects including offices; retail, institutional and educational facilities; and hotels and motels.

As a general rule, state HTFs tend to rely on fees generated by real estate transactions and city HTFs tend to rely on development fees of some type, such as linkage fees or density bonuses. The most successful trust funds are those funded by a regular revenue source directly linked to housing, such as development fees or property taxes.¹⁵

The following chart indicates sources of funds in Canada.

Community	Source of Funds
Colwood	\$1,500 per unit created for Royal Bay
Langford	\$500 per unit created by rezoning on some large projects (e.g. Bear Mtn.)
Vancouver	Development Cost Levies, lease of city-owned land, budget appropriations
Whistler	Commercial development levies
Surrey	Interest on reserve fund established via \$750 per unit rezoning charge
Kelowna	Land sales
Winnipeg	Interest on real estate transactions (provincial facilitation)
Toronto	DCCs on commercial development; proceeds from lawsuit
Saskatoon	Land sales
Banff	Commercial development levies
Edmonton	SCPI, gaming funds, City budget surpluses and appropriations
Calgary	Gaming funds, city land and property donation, corporate donations
City of N. Vancouver	Land sales, property tax levy dedicated to affordable housing (approved by Council in 2002)

¹⁴ CMHC, *Housing Trust Funds: Their Nature, Applicability, and Potential in Canada*, 2000.

¹⁵ National Affordable Housing Trust Fund, *Washington News and Views*, September 2000.

Summary Observation

“In the absence of traditional housing programs, innovative, community-based solutions are required. The non-profit sector cannot step into the breach alone. The sector lacks sufficient resources to address the growing need for affordable housing. The housing trust model provides a framework to meet the growing need to finance the construction of new low and middle income housing.”¹⁶

Section 4: Examples of Housing Trust Funds

In **Canada**, all the HTFs that exist have been created by municipalities, although the Province of New Brunswick is considering the establishment of a fund and the Provinces of Alberta and Manitoba support the Calgary, Edmonton, and Winnipeg funds.

In **British Columbia**, several municipalities have established trust funds, sometimes called reserve funds:

Langford is in the process of setting up a formal reserve fund that will be based on a contribution of \$1,500 per unit for some rezonings. The fund will be used in a variety of ways to encourage the development of affordable housing. A companion initiative will ensure that 10% of the units created through rezonings must be affordable, with applicable price ceilings and resale prohibitions.

In **Colwood**, the Affordable Housing Reserve Fund is designed to assist in the provision of affordable housing by targeting strategic initiatives such as partnerships with housing agencies. The fund is based on a \$500 per unit contribution for each additional house, duplex, and townhouse unit created by a rezoning.

Richmond's Affordable Housing Statutory Reserve Fund stands at over \$5.5 million. A recent report on homelessness in Richmond recommended the City review the operation of its fund to find out what has worked well in the past and what can be done to make it even more effective in future.

The **Whistler** fund, known as the Employee Housing Service Charge Fund, was implemented as a way of providing affordable housing for local employees, most of whom cannot afford market housing in Whistler. It is a linkage fee, like Boston's, based on a charge of \$10.40 per square foot for commercial establishments, \$2.02 per square foot for industrial developments, and \$1,116 per guest room in tourist accommodation.

In **Vancouver**, the Affordable Housing Fund secures most of its funding from development cost levies, which are charged at a rate of \$1.00 per square foot for industrial uses and \$2.50 per square foot for all other uses, including residential. Some community amenity contributions are also directed towards the AHF. Most of the \$9 million raised since the fund's inception in 1993 has been allocated to single room occupancy projects.

¹⁶ Edmonton Coalition on Homelessness, The Feasibility of Developing the Edmonton Community Housing Trust Fund, 1999.

In **Kelowna**, the Council recently approved the establishment of a housing reserve fund, one of the recommendations contained in a study on affordable, special needs, and rental housing in Kelowna.¹⁷ Funded primarily by the sale or lease of municipally owned land, the reserve fund will be used to acquire land for subsequent lease to developers of affordable housing projects.

In **Surrey**, the interest earned on the City's Affordable Housing Reserve Fund is used to provide up to \$20,000 in assistance for first time homebuyers, a group that Surrey wants to help because it believes that home ownership strengthens a community. People living or working in Surrey are eligible, provided they meet certain criteria related to income and assets.

In the City of **North Vancouver**, the Affordable Housing Reserve Fund, which is funded by sales of municipal land, current revenue, and general revenue fund surpluses, is directed towards the development of affordable rental housing.

In other provinces a number of reserve funds have been established:

In **Banff**, which faces problems similar to Whistler's (high cost housing market, many employees in the service industry who cannot find affordable housing), a housing reserve fund was established in 1990. Developers of commercial projects are required to provide one bedroom for every two new employees, or alternatively, pay a fee of \$15,000 per required bedroom.

In **Toronto**, the Capital Revolving Fund for Affordable Housing, funded initially by development cost charges, focuses on the need for preventative and long-term solutions to the City's serious homelessness problem. Because its intent is to lever other sources of capital, the fund will not provide more than 25% of total project capital costs. An advisory committee composed of municipal councillors, developers, lenders, community based housing providers, and representatives from the federal and provincial governments provide advice to staff

In **Winnipeg**, the Province of Manitoba agreed to allocate the interest earned on real estate broker trust accounts to the Housing Opportunity Loan Fund, which is used as a revolving fund to promote home ownership in inner city areas.

The **Edmonton** Housing Trust Fund is a partnership of all three levels of government and the public, private, and non-profit sectors. Unlike the "pure" HTF model, funding for the Edmonton HTF comes from a variety of sources including the Government of Canada through the Supporting Communities Partnership Initiative (SCPI), the Government of Alberta through gaming funds, the City of Edmonton initially through dedication of budget surpluses and later through annual appropriations, and various philanthropic and corporate donors. Total funding of approximately \$24 million over a three year period will be allocated mostly to support the Edmonton Community Plan on Homelessness.

A prominent businessman was the catalyst behind the formation of the **Calgary** Homeless Foundation Fund, which in addition to significant corporate donations receives gaming funds from the Province of Alberta, and land and property donations from the City of Calgary. The Foundation, which is an autonomous organization with a 26 member Board of Directors, provides capital funding on a partnership basis for projects that obtain their operational funding and direction from other organizations. In addition to financial assistance, each level of government contributed one staff position to the Fund.

¹⁷ City of Kelowna, *Housing Study – 1999/2000 An Exploration of Affordable, Special Needs, and Rental Housing*.

In the US, there are approximately 300 Housing Trust Funds. In the Pacific Northwest, **Seattle** is home to two funds. The King County Housing Opportunity Fund (HOF) serves the 40 incorporated suburban municipalities surrounding Seattle itself, which very recently renewed its commitment to its own fund (the Seattle Housing Levy, adopted by Council in April, 2003). The \$78 million HOF has used a variety of revenue sources in its 15 year life, including real estate transfer taxes, annual appropriations from the county budget, and contributions from agencies. HOF levers \$4.75 for every dollar invested by the fund and has been very successful at maintaining geographic equity by relying on the existence of two consortia. One consortium is composed of the county and 33 cities and towns. Funds are divided among the 16 largest cities, who decide how to spend them, and the rest of the cities and towns, whose share of the funds is administered by the County. The other consortium is composed of the county and 35 cities and towns. A competitive process is used to allocate funds; members of the consortium decide on the winning proposals.

The Seattle levy, approved by voters in September 2002, will generate \$86 million in funding over a 7 year period. The levy, which is based on property taxes, will be administered by Seattle's Office of Housing. Levy programs include rental preservation and production, homeownership, rental assistance, and operating and maintenance assistance.

Section 5: What a Housing Trust Fund could Achieve in the CRD

“Building and rehabilitating more affordable housing not only meets a demonstrated need, but it has economic benefits in both the long and short term. Housing creates jobs and wages, creates a greater demand for goods and services, increases tax revenues, and attracts funding sources to local jurisdictions. In addition, providing people with stable and decent housing will likely reduce the amount of public funding they would otherwise use.”¹⁸

In the context of the Capital Region, some of the potential benefits of a regional Housing Trust Fund are:

- **Leverage:** One of the major benefits of Housing Trust Funds is that they provide a source of equity that can be used to lever funds from other sources. In Washington for example, the King County Housing Trust Fund estimates that for every \$1 in state funds invested in construction, acquisition or rehabilitation of housing for low income persons, \$4.75 is invested by other public and private agencies.¹⁹ Leveraged resources can come from financial institutions, developer equity, foundation funds, and provincial and federal governments.

In BC, current opportunities for leveraging provincial and federal funds arise from the signing of the CMHC/BC Housing Agreement on December 18, 2001. The \$177.4 million that will flow from that agreement over a five year period is intended to provide support mainly for frail seniors. BC Housing and the health authorities, who are administering the funds, are searching for partnership opportunities. Expressions of interest from private and non-profit sponsors are currently being evaluated. Whether or not a portion of the \$177 million will be available for other needs is uncertain, as is the future of the federal/provincial agreement beyond the initial five year period. If any funds should become available from that source, it is a program requirement that applicants contribute equity to project development.

The other obvious source of federal funds is SCPI (the Supportive Communities Partnership Initiative). Unfortunately the \$2.1 million in funding for the current life of the SCPI program has just recently been fully committed in the Victoria area. It is not known if the program will be renewed again.

- **Jobs (Economic Impact of Residential Construction):** Over the last six years, CMHC has published four detailed reports on the economic impacts of residential construction.²⁰ Among the major conclusions of the reports is the following “...the research suggests that a temporary increase in expenditures on new residential construction or on renovations has significant direct, indirect, and induced impacts on Gross Domestic Product and employment. Each newly constructed housing unit gives rise to between three and six person-years of employment in total over a five year period.”

¹⁸ The National Housing Trust Fund Campaign.

¹⁹ The Arc of Washington State, [Housing Trust Fund](#), April 21, 2003

²⁰ CMHC, Macroeconomic Impacts of the Housing Sector, The Macroeconomic Impacts of Housing Construction Activity: Simulations with the FOCUS Model, The Economic Impacts of Ancillary Housing Expenditures, The Macroeconomic Impact of the Building Materials Industry in Canada.

The employment impact of Housing Trust Fund investments is magnified because of the leverage phenomenon. For example, a study done for the Colorado Housing Trust fund Coalition estimates that an annual investment of \$15.9 million in housing construction with a 1:10 leverage would generate 2,804 jobs directly and indirectly.²¹

- **Training Opportunities:** The emerging scarcity of skilled workers in the construction industry has been well documented. The potential for creating training opportunities in conjunction with the development of affordable housing projects has been recognized by HTFs in other cities.
- **Tax Revenue:** The construction and/or rehabilitation of housing creates tax revenue – income tax on wages paid to workers, sales taxes from products and services purchased to create the housing, property taxes on new units. The same Colorado study referred to in a previous bullet point estimated that the fund would generate tax revenue of \$22.4 million per year.
- **Innovation:** Even in an environment of constrained resources, there are always opportunities for bright ideas, particularly in areas where funders are focusing their attention. A good example of this is energy conservation. Canada’s Kyoto obligation to reduce greenhouse gas emissions by 6% will lead to opportunities associated with the construction and operation of green buildings. Funding may well be available for affordable housing projects that incorporate innovative energy conservation measures.
- **Indirect Savings:** Recent research shows that providing homeless people who have a severe mental illness with a stable living environment and social service supports saved a net of \$16,300 a year per housing unit in New York City, as individuals’ shelter use and hospitalization and incarceration rates declined.²² Affordable housing can also divert poorly-housed individuals, especially children, from repeatedly or continually using other social support systems, often at their most expensive points. *Preventing* larger problems through provision of housing that is affordable can save tax dollars in the long run.
- **Regional Efficiencies:** As indicated elsewhere in this report, some of the CRD municipalities have already taken action on their own to address affordable housing needs in their communities. A regional approach could build on the successes of these initiatives and achieve some economies of scale in terms of administrative support, fund raising, and program delivery.
- **Affordable Housing:** Of course the main objective of a Housing Trust Fund is the development of affordable housing. In the Capital Regional District at the present time, there are very few mechanisms for creating affordable housing – there is, however, a growing need.

²¹ Economic and Planning Systems Inc., *Colorado Housing Trust Fund Impacts Study*, September 2002.

²² Culhane, D, Metraux, S. & Hadley, T. *Public Service Reductions Associated with Placement of Homeless Persons with Severe Mental Illness in Supportive Housing*, 2002.

Section 6: How a Regional Housing Trust Fund Could be Established in the CRD

If the political decision is made to proceed with the establishment of a Housing Trust Fund in the CRD, a number of issues must be considered.

1. **Regional Equity:** It is essential that funds raised and allocated by a regional HTF respect the principle of geographic equity. To be workable, it would probably be necessary to consider equity on the basis of three areas (the core, the Peninsula communities, the Western communities) rather than on the basis of each municipality. The Fund, at least initially, is unlikely to be large enough to ensure development activity in each area in each year, so the regional equity principle would need to be considered over a longer time period – five years for example.
2. **Maximum Flexibility:** Ideally, communities that would prefer not to participate in a regional HTF, at least in the early years, should have the ability to opt out. Depending on the source of funds identified, there may be some difficulty achieving this goal, but it ought to be explored in detail.
3. **Size of Fund:** Most of the existing HTFs in Canada are multi-million dollar funds; several US funds exceed \$100 million. Even allowing for the leverage that a fund makes possible, it would be difficult to achieve anything at all with a fund less than \$1 million, particularly if the fund itself is responsible for administrative costs.
4. **Source of Funds:** As the experience of HTFs in the United States indicates, the best way to fund an HTF is a dedicated, ongoing source of revenue linked in some way to housing – property taxes for example, or real estate transaction fees of various sorts. In Canada, municipalities are very limited in their revenue-raising ability. The possible ways of funding an HTF in the CRD are summarized in the following table, along with explanatory comments where applicable

Source	Comments
Special Property Tax Levy , e.g. \$20 per household	Would raise the most money in the most efficient way. A \$20 levy would raise almost \$3 million. Would require voter approval.
Land Assembly, Housing and Land Banking authority of the CRD	Limit of \$1,064,883 (2003) could be raised via this route. Would not require voter approval.
Sale or lease of municipally- owned land	Limited amount of land available.
Capital budget allocations (redirect existing sources of revenue) or yearend surpluses	Would require repriorizing of needs.
Density bonuses (community amenity contributions)	“costless” – no direct cost to municipality, but erratic source of funding – depends on state of the market. Would be difficult to implement on a regional basis.

DCCs	Illegal to use DCCs for non-infrastructure related projects.
Property Transfer tax room from the province	To date, no sign of provincial willingness to consider tax sharing. Would require intense lobbying & presentation of a business case to the province probably from UBCM.
Federal gas tax	Revenue from this source is very likely several years away.
SCPI	The funding for the current three year round (approximately \$2.1 million in Victoria) has been committed. SCPI funding would only be possible in three years time IF the program is renewed by the Federal government.

6. Administrative Structure: HTFs established by cities are most often administered by city staff. This is the case in Colwood and Langford for example. In multi-jurisdictional centres, the relevant level of government is typically the administrator – King County for example in the case of the Housing Opportunity Fund representing the 40 jurisdictions surrounding Seattle. There are also examples of independent organizations that have been established to administer a housing trust fund – the Edmonton fund is a good example of this.

Often the main reason for lodging a Housing Trust Fund within a municipal administration is because a Housing Department (or similar) already exists and the functions associated with the Trust Fund are a natural add-on.

In the case of the CRD several options are possible:

- Adding a Housing Trust Fund function to the CRD, presumably to Regional Planning Services;
- Lodging the administrative functions in the Capital Region Housing Corp.;
- Lodging the administrative functions in CEDCO, which already has a functioning HTF;²³
- Lodging the administrative functions in a restructured, registered Housing Affordability Partnership;
- Lodging the administrative functions in the Community Social Planning Council, with appropriate funding;
- Creating a new body, which could possibly also include the Housing Facilitator and Housing Center recommended in the consultants' final report.

It is important to note that many analysts consider the governance structure less critical than the quality of the staff.

²³ CEDCO (Greater Victoria Community Economic Development Corporation) recently identified the need for an organizational vehicle that had the capacity to work with sources of capital, housing developers and supportive housing providers to encourage the development of affordable housing in the Greater Victoria area. The Canadian Housing Research Foundation (CHRF) was identified as a possible vehicle. CHRF is a charitable organization that was formed with input from the Capital Region Housing Corporation but that has been inactive since its incorporation in 1998. However, it has remained in good standing with Revenue Canada. In February 2002, CEDCO's Board of Directors agreed to become the Board of the Canadian Housing Research Foundation and to launch a housing trust. Soon afterwards CEDCO Victoria secured the name Victoria Community Housing Trust and is now operating the charity under that name. The Trust's first property, the Chestnut Grove Motel, was purchased in the summer of 2002. It was renovated and is now leased by VIHA. The Trust has recently acquired a second property.

In light of the fact that CEDCO is already operating a housing trust and furthermore is removed from the CRD structure, it might make sense to consider CEDCO as the most obvious administrator of a regional HTF. However there are a number of options that can be considered.

About half of the HTFs in existence have boards or commissions overseeing them, some of which have final decision-making authority over the HTF and some of which are only advisory. In most city HTFs, however, elected representatives retain final decision-making authority. An advisory committee or board can ensure accountability, regional representativeness, and ongoing community input.

7. **Target Client Groups, Financial Mechanisms:** These very important and fundamental decisions need to reflect community needs and community views. Some funds focus only on rental housing, others on homeownership as well. Funds must also be sensitive to the size of the fund in question. The larger the fund, the more opportunities there are to consider a number of community needs. The size of the fund also dictates, to some extent, the nature of the financial mechanisms used to assist sponsors. The City of Toronto's fund formerly relied on "soft" loans and the contribution of large amounts of equity to sponsors because the projects were so marginal in an economic sense that sponsors needed maximum assistance. Now that the fund is incorporating an additional \$25,000 per unit through the Ontario/Canada Affordable Housing Agreement, projects are less marginal and the fund is making "harder" loans that will be repaid, thus replenishing the fund on an ongoing basis.
8. **Uses of Funds:** One of the benefits of funds is that they are extremely flexible and virtually any program that meets community needs can be considered. For example, some funds operate a rent supplement program, an initiative that responds to the concerns of those who view the subsidization of existing units as more cost-effective than the building of new units. If funds are large enough, they can administer several different mechanisms simultaneously and evaluate the cost-effectiveness of each.

Similarly, funds are designed to respond creatively to current conditions. In a period of high vacancy rates, funds might focus on the rehabilitation and preservation of the existing housing stock and on rent supplement assistance. In a period of low vacancy rates, funds might focus on encouraging new construction. However, in no case would a fund be used to finance all the costs incurred in the development of a new housing project as that would negate the very useful principle of leverage.

9. **Ensuring HTF Units Remain Affordable:** There are a number of ways that funds can ensure units created by the fund remain in the affordable housing pool in perpetuity, including housing agreements, restrictive covenants, and second mortgages.

Summary Comment

Just as there is no single solution to the problem of housing affordability, there is no one way of resourcing a fund that will suit all municipalities. The important thing is that there be a fund and that it be regional in scope to ensure that it is large enough to be useful.