

## Richmond Affordable Housing Strategy



*Building the Richmond We Want*

May 9, 2007

Approved by Richmond City Council on May 28th, 2007

*RICHMOND AFFORDABLE HOUSING STRATEGY*

CITY OF RICHMOND

*Building the Richmond We Want*

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## Strategic Context and Background

Access to safe, affordable and appropriate housing is essential for building strong, safe and healthy communities.



In developing this Strategy, the City of Richmond has recognized the importance of ensuring that all residents have access to suitable and appropriate housing with the necessary community supports to serve the needs of a diverse population.

### Vision

The affordable housing needs of a diverse population are met by the City of Richmond managing its resources in partnership with the private sector, local groups, agencies and other levels of government.

### Goals and Objectives

The City of Richmond recognizes that it will not be able to solve housing affordability needs alone, but that the City can assist in the solution.

As a result, a central focus of this Strategy is to ensure that the City is successful in providing a range of housing options for households of different ages, family types and incomes.

### Key Assumptions

- 1. Affordability is strongly influenced by a range of factors including local market conditions and broader macro-economic forces.*
- 2. While local responses can help to address affordability challenges, the most successful remedies are regionally-based, with significant support and resource commitments coming from senior governments.*
- 3. Housing affordability issues affect most groups but in different ways.*
- 4. Affordability is ultimately tied to long-term housing supply.*
- 5. Low income housing needs can not be met with the current limited available resources; targeted strategies are required.*
- 6. Affordability challenges will not be resolved through short-term interventions. Effective solutions are the result of long-term, stable policies and strategic interventions that enable an expanded range of options at key points along the housing continuum.*

## Strategic Context and Background

### Principles:

The *Richmond Affordable Housing Strategy* is based on the following principles:

- Partnerships;
- Balance:
  - Public and private interests;
  - Certainty and flexibility;
- Effectiveness; and,
- Financial viability.

### Key Elements In the Strategy

The key elements of the *Richmond Affordable Housing Strategy* are:

- Land acquisition;
- Construction of units;
- Maintenance of rental units;
- Leasing land/rental of units;
- Subsidies for rents;
- Support services;
- Research;
- Supportive policies and regulations;
- Financial incentives; and,
- Other elements as required, including partnerships with the GVRD, the development sector and senior levels of government.

### Construction Versus Cash-In-Lieu

In analyzing the range of options available, there was considerable discussion and analysis of differences in establishing private sector contribution requirements versus the direct creation of units. Through the process, it was recognized that:

- It is unrealistic (e.g., financially) to require all developments to meet hard and fast affordable housing requirements;
- No other Lower Mainland municipality requires all housing developments to provide affordable housing units. Rather, the cash-in-lieu option is much more frequently used;
- Cash-in-lieu contributions are easier to administer and provide greater opportunities for the City to partner with senior levels of government and non-profit organizations;
- Subsidized housing for households with annual incomes of less than \$20,000 require the most government funding to build and manage, and are best located on separate sites with financial assistance coming from government partners and non-profit organizations;
- The administration of one or two “scattered” affordable housing units in a building or development creates some management difficulties and diseconomies of scale.

## Strategic Context and Background

### **Inclusionary Zoning/Density Bonusing Approach**

It is recommended that an inclusionary zoning/density bonusing approach be taken to ensure that affordable housing units are built.

For example, it is proposed that each four storey low rise apartment and every high rise development containing more than 80 residential units be asked to build 4 or more affordable housing units. These units would be used for low end market rental purposes (i.e., for households with annual incomes between \$20,000 to \$37,700).

Where a minimum of 4 affordable housing units can not be provided in a building or development, a cash-in-lieu contribution would be accepted. The money collected would be used to help partner with others to build subsidized housing (i.e., for households with annual incomes below \$20,000).

The City will enter into an Agreement with a non-profit organization or property management company to manage all of the low end market rental units transferred to the City as affordable housing. This being the case, the City could waive the Development Cost Charges (DCCs) for the not for profit rental housing and would be willing to exclude the low end market rental units from the floor area ratio (FAR) calculations so the developer can build more units elsewhere on the site.

Should the developer want to retain ownership or sell the low end market rental units to a non-profit organization or property management company, the FAR exemption will not be offered to the developer by the City. Instead, it is expected that the profit from the additional market ownership units created from the density bonus and the equity from the sale/rental of the low end market rental units will cover the construction cost of building a minimum of 4 affordable housing units and increase the overall profitability of the project. The City could waive the DCCs if these units are used for not for profit rental housing by the developer or the third party who owns them.

Where these affordable housing units are built, the City would ensure that they remain available for low end market rental purposes through a Housing Agreement with the rezoning applicant.

If the City were to rent these units at 85% to 90% of current market rents, they would be affordable to households with annual incomes of between \$30,000 and \$37,700 (based on the standard definition of affordability that a household should not be spending more than 30% of their income on shelter).

## Strategic Context and Background

Rents at levels lower than 85% to 90% of the current market would not provide sufficient revenue to carry the cost of new housing construction. As a result, households with incomes of below \$30,000 would require deeper subsidies or some level of housing assistance in order to be able to successfully afford these units.

The City is also proposing to take an inclusionary zoning/density bonusing approach on single-family residential rezoning applications. In this case, all single lots being rezoned but not subdivided and at least half (50%) of the lots being rezoned and subdivided will be required to include a secondary suite or a coach house unit. Concurrent to this, the City is taking steps to legalize secondary suites in Richmond.

In order to ensure that these secondary suites or coach house units are affordable for low end market rental purposes a Housing Agreement would be required as a condition of rezoning approval. If this is viewed as being unacceptable, the market could be relied upon or the size of the secondary suite and coach house unit could be restricted to help control the affordability of these new suites or dwelling units.

The intent of these steps and the Housing Agreement is to provide additional low end market rental units to the City's housing inventory (i.e., for households with an annual income of \$20,000 to \$37,700). It should be noted that although the rent from the secondary suite or coach house unit will help with the mortgage of the new single-family residence, it will not make this residence affordable to entry level owners (i.e., households with an annual income between \$37,700 to \$60,000).

Entry level ownership units will not be a priority at this time as there is a critical need for affordable rental units within the City of Richmond. For example, the median price of a new condo unit is significantly higher (1.5 to 2.4 times higher) than what would currently be affordable for a household with an annual income of \$37,700 to \$60,000.

### **Regional Affordable Housing Strategy**

The GVRD is currently working on a Draft Regional Affordable Housing Strategy. It is expected that the Draft Strategy will be presented to the Housing Committee in June 2007 with a recommendation that the Strategy be referred to the Board for release for public review.

The draft draws attention to the need for a coordinated response across the GVRD with an emphasis on three housing goals and regional strategies:

## Strategic Context and Background

- Goal 1: Provide adequate housing to meet the needs of low income renters.
- Goal 2: Eliminate homelessness across the region.
- Goal 3: Increase the supply and diversity of modest cost housing.
- Strategy 1: Make better use of the existing and available government and housing industry resources.
- Strategy 2: Secure additional stable funding to meet affordable housing needs.
- Strategy 3: Establish partnerships and secure sufficient and stable funding.

Some of the key directions or recommendations in the Draft Regional Affordable Housing Strategy of particular relevance to the *Richmond Affordable Housing Strategy* include:

- The Greater Vancouver Housing Corporation (GVHC) should provide for new social housing through the management of market or non-profit rental housing acquired through the municipal development process;
- The GVRD will work with municipalities to set targets for the number of new affordable owned and rental housing units required by the year 2011 and 2016 and include this work in the proposed new Regional Growth Strategy;
- The Province will be asked to enact enabling legislation for the Greater Vancouver Sewerage and Drainage District (GVS&DD) to waive regional DCCs on social housing and reduce regional DCCs on affordable housing when affordability is secured for a minimum of 20 years by revising the method of calculation for smaller lots and unit sizes;
- The GVRD will urge the Provincial government to provide enabling legislation for municipalities and the GVRD to allocate some portion of municipal DCCs/levies to an affordable housing fund;
- The Federal government will be urged to respond to the call from the Federation of Canadian Municipalities (FCM) to develop a national affordable housing strategy; and
- The GVRD will investigate funding sources to establish and manage a Regional Affordable Housing Trust Fund which will be allocated to construction of additional social housing (with the Board's direction that municipal contributions not constitute the primary funding source).

In preparing its Draft Regional Affordable Housing Strategy, the GVRD recognizes that it is to act as the united voice of member municipalities in an advocacy role with senior governments, since partnership and substantial, stable funding is required of senior governments in order for municipalities and the regional district to implement initiatives in affordable housing.



## Strategic Context and Background

One item that was dropped from the Draft Regional Affordable Housing Strategy that the City of Richmond and other municipalities expressed a concern about was the proposed regional surcharge on regional levies and charges for affordable housing.

In response to requests for further information from its Board members, staff also examined the following additional funding sources from senior governments:

- The Provincial Property Transfer Tax (approximately \$374 million of Provincial revenue from property sales is generated in Greater Vancouver);
- Canada Mortgage and Housing Corporation (CMHC) Reserve Funds (the most recent financial report indicates that \$45 million in savings was returned to general Federal revenues; it is forecasted that CMHC's retained earnings could reach \$5.3 billion in 2006 – the GVRD is requesting that a portion of this should be redirected to build new social housing);
- Federal Tax Incentives for Rental Housing (e.g., eliminate or exempt rental housing from tax on capital gains; allow for GST rebate on new housing construction; allow small landlords to claim the GST input tax credit on purchases; restore the capital cost allowance/depreciation to previous levels); and
- Provincial Rental Tax Credit Programs (provide a direct tax credit to low income households through the income tax form similar to Ontario and Manitoba).

City staff will analyze and report on the GVRD's Draft Regional Affordable Housing Strategy as a separate exercise when it is circulated for municipal input. Generally speaking, the directions set out through the Region's Strategy are consistent with the themes and directions set out in the City's Strategy.

### **Provincial Affordable Housing Strategy**

The Province has also released its Provincial affordable housing strategy entitled "Housing Matters BC". Some of the key components of this strategy include:

- Providing the homeless with access to stable housing with integrated support systems;
- Making the most vulnerable citizens a priority for assistance;
- Improving access to affordable rental housing for low-income households;
- Supporting homeownership as an avenue to self-sufficiency;
- Ensuring that BC's housing and building regulatory system is safe, stable and efficient; and,
- Addressing Aboriginal housing needs.

## Strategic Context and Background

This includes giving priority access for subsidized housing to people who need housing and supports and who cannot find suitable rental housing in the private market. Other households including low income working families and low income seniors may be eligible for rent assistance.

Groups that were identified in "Housing Matters BC" as having priority needs included frail seniors, people with mental illness or physical disabilities and their families, those with drug and alcohol addictions, women with their children fleeing violence, and the homeless or those at risk of homelessness.

### **Provincial Throne Speech**

As part of the February 13, 2007 speech from the throne, the Provincial government made the following statements related to affordable housing in BC:

- "Your government will act to increase affordable housing, reduce homelessness, and help those who cannot help themselves"
- "Your government believes municipal governments with populations greater than 25,000 should identify and zone appropriate sites for supportive housing and treatment facilities for persons with mental illnesses and addictions in official community plans by 2008"
- "We will encourage local government to exempt small-unit, supportive housing projects from development cost charges and levies"
- "A new assessment class and new tax exemptions for small-unit, supportive housing will be developed over the next year for this legislature's consideration"

To date, no further details are available from the Province with regard to how some of these statements are going to be implemented. Staff will continue to monitor this and advise Council of any implications they may have to the *Richmond Affordable Housing Strategy*.

### **Federal Affordable Housing Strategy**

The Federal government does not have a national affordable housing strategy. Instead, affordable housing initiatives are left to a number of different government agencies including: Service Canada (homelessness); Canada Mortgage and Housing Corporation (renovation and research funding); etc.. The Federal government is being asked by many, including the City of Richmond, to develop a national affordable housing strategy in consultation with the Provincial and Local governments, as well as to do more for affordable housing including providing financial and tax incentives.

## Definitions, Priorities and Targets

### Definitions, Priorities and Targets

#### *Definitions*

Based on the commonly accepted definition of affordability, which suggests that a household should not be spending more than 30% of their income on shelter, the *Richmond Affordable Housing Strategy* has established the following three definitions for affordable housing:

Subsidized Housing: Households with an annual income of \$20,000 or less requiring deep subsidies or significant assistance;

Low End Market Rental: Households with an annual income of \$20,000 to \$37,700 requiring shallow subsidies or no assistance;

Entry Level Ownership: Households with an annual income of \$37,700 to \$60,000.

#### **1<sup>st</sup> Priority - Subsidized Housing**

To address the need for subsidized housing, the City will:

- a) Accept cash-in-lieu contributions for affordable housing from townhouse developments and smaller apartment developments where a minimum of 4 affordable housing units are not provided.
- b) Utilize the monies collected in the Affordable Housing Reserve Fund first and primarily for subsidized housing.
- c) Subsidized housing would be for the homeless, people with addictions, the mentally challenged, single parents with limited income, seniors on fixed pensions, persons with disabilities, families requiring subsidies for specific reasons, etc.

#### **2<sup>nd</sup> Priority - Low End Market Rental**

To address the need for low end market rental, the City will:

- a) Require each four storey low rise apartment and every high rise development containing more than 80 residential units to construct at least 5% of the building area and not less 4 low end market rental units.
- b) Require that all rezoning applications involving a single lot that is being rezoned but not subdivided and at least 50% of any new lots that are being rezoned and subdivided include either a secondary suite or a coach house unit.
- c) Low end market rental could be for young adults, recently retired, lower income families, students, individuals without equity, etc.

# Definitions, Priorities and Targets

## ***3<sup>rd</sup> Priority - Entry Level Ownership***

To address the need for affordable housing at the entry level ownership level, the City will:

- a) Encourage the construction of smaller apartment units and/or lower cost finishings (but not at the expense of cash-in-lieu contributions to subsidized housing or the construction of low end market rental units).
- b) Encourage innovative new housing forms and financing schemes.
- c) Permit the development community to build entry level ownership housing on their own initiative without necessarily securing this form of housing as "affordable" for households with annual income of less than \$60,000.

## ***Targets***

The consultant and City staff have identified the following targets which they believe are achievable if partnerships and cooperation are received from other levels of government, non-profit organizations, the development community, etc.:

Subsidized Housing: 25 - 50 units per year

25 units based on 80% equity from others (City's contribution 20%)

50 units based on 90% equity from others (City's contribution 10%)

Both targets require that \$1,000,000 be collected in cash-in-lieu contributions annually based on the proposed \$2.00 per buildable square foot contribution from townhouse rezoning applications (not the existing \$0.60 per buildable square foot).

Low End Market Rental: 95 units per year

75 secondary suites or coach house units through rezoning applications

20 apartment units in low rise apartments or high rise developments containing more than 80 residential units

These targets are described in greater detail in the section entitled "Establishing Appropriate Targets".

# Complete List of Recommendations

The following provides a complete list of the specific recommendations and strategies set out in this report.

## Policy Area #1 An Articulated Commitment to Respond to Issues Related to Housing Affordability in the City of Richmond

1. City Council approve the *Richmond Affordable Housing Strategy* and, specifically, the following recommendations, policies, directions, priorities, definitions and initial annual targets:

Priority	Housing Type	Definition	Initial Annual Target
1 <sup>st</sup> Priority	Affordable Subsidized Rental Housing	Households with an annual income of less than \$20,000	73 affordable subsidized rental housing units a year
2 <sup>nd</sup> Priority	Affordable Low End Market Rental Housing	Households with an annual income of between \$20,000 and \$37,700	279 affordable low end market rental units a year
3 <sup>rd</sup> Priority	Affordable Entry Level Ownership Housing	Households with an annual income of less than \$60,000	243 entry level ownership units a year
Affordable is defined as meaning that no more than 30% of the gross income of a household is spent on housing costs (excluding cablevision, telephone, other telecommunications and utility fees)			

2. The City hire a temporary full time employee, to work in the Real Estate Services Division of the City's Business & Financial Services Department, to assist in the implementation of this Strategy.
3. A work program be prepared annually by staff for Council approval to implement the *Richmond Affordable Housing Strategy*.
4. The results of the Strategy be monitored and reported annually to demonstrate that the City is committed to the on-going creation of affordable housing.

## Complete List of Recommendations

5. The Official Community Plan (OCP), and City Centre Area Plan (CCAP) currently being updated, be revised later this year to be consistent with the policies and directions set out under this Strategy once it has been approved by City Council. Over time, the other Area Plans will also be reviewed and revised, as necessary, based on the experience of implementing the *Richmond Affordable Housing Strategy*.
6. City staff continue to work with the Greater Vancouver Regional District (GVRD), senior governments and other key planning and decision making bodies to ensure that housing affordability issues are recognized and addressed at the Regional, Provincial and Federal levels, and that appropriate resources are made available.

### Policy Area #2

#### The Use of Regulatory Tools and Approaches to Facilitate the Creation of New Affordable Housing

##### Affordable Subsidized Rental Housing

7. In order to help meet the City's targets for affordable subsidized rental housing, a density bonusing approach under Section 904 of the *Local Government Act* involving the provision of a cash contribution is to be utilized for all townhouse developments and for apartment or mixed use developments involving 80 or less residential units.
8. Where a cash contribution for affordable housing is received under this statutory density bonusing approach, it should be based on the following amounts for rezoning applications received after July 1, 2007:
  - a) \$2 per square foot from townhouse developments; and
  - b) \$4 per square foot from apartment and mixed use developments involving 80 or less residential units.

##### Affordable Low End Market Rental Housing

9. In order to help meet the City's targets for affordable low end market rental housing, a density bonusing approach involving the provision of affordable housing units as an amenity be utilized for apartment and mixed use developments involving more than 80 residential units for rezoning applications received after July 1, 2007.

## Complete List of Recommendations

10. Where an affordable housing unit density bonusing approach is provided for apartment and mixed use developments involving more than 80 residential units:
  - a) at least 5% of the total residential building area (or a minimum of 4 residential units) should be made available for affordable low end market rental purposes;
  - b) the unit sizes and number of bedrooms will be determined by the City; and
  - c) the affordable low end market rental units will be subject to a housing agreement registered on title.
11. If the ownership of the affordable low end market rental units is transferred to the City, the units will be rented to eligible tenants and:
  - a) each unit should be created as a separate strata lot; and
  - b) the responsibility for management and tenant selection of all the units owned by the City may be contracted to a single non-profit housing provider or property management company.
12. Alternatively, the developer may retain ownership or transfer the units to a third party such as a property management company, in which case the units must be rented to eligible tenants and:
  - a) each unit must not be transferred separately (and will be secured by a no separate transfer covenant); and
  - b) the responsibility for management and tenant selection for all of the units owned by the developer or a third party will be the responsibility of that developer or third party.
13. The developer, or a group of developers, may concentrate their required affordable low end market rental housing units together in one building or site, rather than having them scattered in a number of different buildings or sites.
14. City Council may exhibit flexibility with initial apartment and mixed use rezoning applicants involving more than 80 residential units in order to identify and address implementation issues, and to create a practical and workable model.
15. Adopt a Secondary Suite Policy which would allow for the legalization of one existing or new secondary suite in any single family dwelling, subject to requirements.
16. In order to help meet the City's targets for affordable low end market rental housing, a density bonusing approach is to be taken for single-family residential rezoning applications received after July 1, 2007.

## Complete List of Recommendations

17. Where the density bonusing approach is taken in exchange for a higher density, all lots that are being rezoned but not subdivided and at least 50% of any lots that are being rezoned and subdivided are to include:
  - a) a secondary suite; or
  - b) a coach house unit above the garage;for affordable low end market rental housing purposes.
18. Where a secondary suite or a coach house unit above the garage is built as part of the approval of a single-family residential rezoning application, it should not be strata titled and it should be designated as an affordable low end market rental unit through a housing agreement registered on title.

### **Policy Area 3-**

#### **Preserve and Maintain the Existing Rental Housing Stock**

19. The City's current moratorium on the demolition or conversion of the existing multi-family rental housing stock, except in cases where there is 1:1 replacement, that was adopted by City Council on July 24, 2006 as part of the Interim Strategy, be replaced with an OCP policy encouraging a 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family and mixed use developments, with the 1:1 replacement being secured by a housing agreement in appropriate circumstances.
20. That City staff establish a process to monitor and report on the future loss and provision of existing/new rental housing units.
21. That the City's existing Residential Policy 5012 limiting the strata title conversion of multi-family residential developments when there is a rental vacancy rate of less than 2% be re-examined with a view to ensuring that the affordable rental housing stock is adequately maintained and increased.



## Complete List of Recommendations

### Policy Area 4-

#### **Incentives to Stimulate the Creation of New Affordable Housing in Partnership with the Housing Supply Sector and Other Levels of Government**

22. Rezoning and development permit applications be expedited, at no additional cost to the applicant, where the entire building(s) or development consists of affordable subsidized rental housing units.
23. The DCC Bylaw be reviewed to determine the financial and engineering implications of waiving or reducing DCCs for not for profit rental housing, including supportive living housing (e.g., affordable subsidized rental housing and affordable low end market rental housing that is rented on a not for profit basis).
24. The Province be asked to amend the *Local Government Act* to:
  - a) include affordable housing as a DCC item and also as a subject cost charge waiver; and
  - b) permit the Greater Vancouver Sewerage and Drainage District (GVS&DD) to waive regional GVS&DD DCCs on social housing and to reduce regional GVS&DD DCCs on affordable low end market rental housing.
25. City staff examine density bonus provisions, exempting affordable housing from floor area ratio (FAR) calculations and review incentives such as parking relaxations and other possible options to assist in the creation of affordable subsidized rental housing and affordable low end market rental housing.

### Policy Area 5

#### **Build Community Capacity Through Targeted Strategies as well as Through Partnerships Brokered in the Community**

26. Continue to work with the Richmond Committee on Disability (RCD), the Urban Development Institute (UDI), Greater Vancouver Home Builders Association (GVHBA) and the Province to:
  - a) develop universal housing guidelines for multiple family residential dwellings;
  - b) encourage fully adaptable/universally accessible flex houses in single-family residential rezoning applications; and

## Complete List of Recommendations

- c) ensure that the universal accessible housing guidelines do not adversely affect housing affordability.
27. The Council periodically request proposals from groups and agencies in the community that, with funding provided partially through the City's Affordable Housing Reserve Fund, as well as funding from senior levels of government and other partners, would enable the creation of additional affordable subsidized rental housing and affordable low end market rental units designed to meet priority needs and existing gaps in Richmond.
28. In responding to City proposal calls, proponents will be required to demonstrate experience/expertise/capability in a number of categories including project development, non-profit property management and residential construction, and will in some cases be required to contribute equity or private capital.
29. The following criteria is to be used to evaluate the proposals that are received:
- a) Compatibility with the *Richmond affordable Housing Strategy* priorities;
  - b) The experience of the development and property management team;
  - c) The strength of partnerships including equity contributions, funding commitments and support from other levels of government;
  - d) Identification of key development risks and mitigation strategies;
  - e) The management capacity and experience of the proponents in working with special needs/priority groups and/or community partnership arrangements to address these needs; and
  - f) Other criteria identified in the call for proposals.
30. A new Affordable Housing Operating Reserve Fund be established which can be used for the purpose of:
- a) Hiring staff to administer the *Richmond Affordable Housing Strategy*, legal costs, the administration and management of affordable housing units, and associated operating costs; and
  - b) Paying consultants and conducting updates, research and general or specific affordable housing studies related to the *Richmond Affordable Housing Strategy*.
31. The existing Affordable Housing Reserve Fund be used for capital purposes for affordable housing, including:
- a) Purchasing and exchanging property or residential dwelling units for affordable housing;
  - b) Financing the construction of affordable housing projects;
  - c) Securing funding commitments from senior levels of government and/or private partnerships; and

## Complete List of Recommendations

- d) Partnering with other levels of government and/or private agencies to achieve affordable housing in Richmond.
32. Generally, funding from the Affordable Housing Reserve Fund is to be allocated through a competitive proposal call process annually depending on the availability of funds. It is acknowledged that under special development circumstances (e.g., to meet senior government funding deadlines), a non-competitive proposal call may be used.
33. Regular meetings be initiated with key Federal and Provincial government ministries/agencies, representatives from the non-profit and co-op housing sectors, UDI, GVHBA and other key stakeholders, to build effective communication and partnership opportunities.
34. City staff examine the cost and implications of:
- a) The implementation of a City of Richmond affordable housing registry; or
  - b) Encouraging all affordable housing providers/operators to participate in BC Housing's housing registry as a common waiting list rather than duplicating this information.
35. Where appropriate, certain City lands be used for affordable subsidized rental housing and affordable low end market rental purposes (not affordable entry level ownership), including where funding has or will be obtained from other levels of government and/or private partnerships.
36. The City develop a strategic land acquisition program for affordable housing with funding for the preparation of the program coming from the Affordable Housing Operating Reserve Fund and the acquisition of lands coming from the Affordable Housing Reserve Fund and other sources where appropriate.
37. A Request for Proposals (RFP) be issued to seek affordable housing proposals for 8111 Granville Avenue/8080 Anderson Road and 5491 No. 2 Road. Consideration should also be given to the concurrent disposition of 8111 Granville Avenue/8080 Anderson Road and the acquisition of an alternative less costly site nearby should a reasonable proposal be brought forward by other market participants or should a viable affordable housing project not be brought forward for this site.

### Policy Area 6

#### **Advocacy Aimed at Improving the Policy Framework and Funding Resources Available for Responding to Local Housing Needs**

38. Request senior governments to ensure that current and future Federal, Provincial and Regional policy directions reflect, fund and support the policies set out under this Strategy.
39. Continue to work with the GVRD and Greater Vancouver Housing Corporation (GVHC) staff and other levels of government to ensure that they each have clear, stable, ongoing, complementary and effective affordable housing strategies.
40. Monitor and report annually on the City, Federal, Provincial, development industry, and other contributions to the creation of affordable housing. This information would be used as a means of demonstrating the City's commitment to the creation of affordable housing and to secure future support from senior levels of government and stakeholders.
41. Request senior levels of government to provide better ongoing and stable flexible funding mechanisms which reflect local needs and priorities at key points along the housing continuum. This includes housing for those who are homeless, special needs affordable housing, affordable subsidized rental housing, affordable low end market rental and affordable entry level ownership.
42. Put forward a resolution requesting that the Union of British Columbia Municipalities (UBCM) and the Federation of Canadian Municipalities (FCM) request changes to federal and provincial tax policies, to encourage new rental housing construction.

## Process

On February 13, 2006, Council directed that the Affordable Housing Strategy be reviewed in light of the shortage of affordable housing options in Richmond.

Based on this direction, McClanaghan & Associates were retained to assist staff with the completion of the project.

The consultant and staff held a couple of meetings with a variety of stakeholders at the outset of this process. A public open house was also held and the feedback recorded.

Based on this input and the initial research by the consultant, an Interim Affordable Housing Strategy was approved by Council on July 24, 2006.

The primary purpose of this Interim Strategy was to help the City manage in-stream development applications until the final Affordable Housing Strategy was approved.

In the summer of 2006, the consultant and staff held focus group sessions with the housing supply sector and government/community partners.

This led to the preparation of the Draft Affordable Housing Strategy, which was received by Council on November 27, 2006 and referred out to the various stakeholders and general public for final input.

Meetings were held with the Urban Development Institute (UDI), Greater Vancouver Home Builders Association (GVHBA), local small developers and a variety of community groups and housing partners.

City staff also hosted three open house displays and solicited the input of the public through a questionnaire.

Various written submissions were received on the Draft Affordable Housing Strategy (e.g., from UDI, the Poverty Response Committee, Richmond Arts Coalition, Greater Vancouver Housing Corporation, Canadian Federation of University Women, etc.).

All of these written submissions and materials from the above-noted process are included in the Appendices to this report.

The *Richmond Affordable Housing Strategy* is the culmination of this process and input.

Broadly speaking, *housing affordability* is measured as a ratio of housing costs to income with the general principle being that, for housing to be considered affordable, a household should not have to spend more than 30% of its gross income on shelter.

Measuring housing affordability in this way has resulted in some discussion as to whether issues related to housing affordability should be viewed as a housing supply problem or an income problem. The issues related to housing affordability are both a supply problem and an income problem.

### **Housing Affordability – A Supply Problem**

In terms of housing supply, it is important to note that there has been very little purpose-built rental housing constructed in recent years, resulting in a shortage of available subsidized housing and low end market rental units relative to demand. This is clearly a factor in the current challenges faced by the City of Richmond where data published by CMHC indicates that less than 200 new rental housing starts have been generated in the last five years.

Rental housing starts at this current level represent less than 36% of the forecasted future demand and impose on-going pressure on the existing stock. This Strategy explores potential opportunities to add supply through the inclusionary zoning/ density bonusing approach, the legalization of secondary suites and through the construction of new rental housing.

### **Housing Affordability – An Income Problem**

Within the context of the current system, those at the lowest end of the income scale feel some of the greatest pressure both in terms of the choices, as well as the level of affordability with the resources that they have available. The following section looks more closely at the affordability gap across different segments of the housing market.

In addition, it is important to recognize that low income demand is not effective demand. This means that households at the lower end of the income scale do not have the resources they need to solve their housing problems on their own. As a result, targeted strategies are required.

This report looks at the range of possible municipal strategies and actions that can be taken by the City of Richmond. It also looks at the partnerships that are needed

with senior levels of government (Federal, Provincial and Regional) and the private sector to build an effective response.

### **Loss of Existing Rental Stock**

A secondary challenge noted within the Richmond context is the potential loss of the available affordable rental housing stock through price escalation (rent increases), redevelopment or conversion. The loss of the existing stock combined with the lack of new purpose-built rental housing will mean increased competition for the supply of available units and could result in the dislocation of lower income households.

### **The Rising Cost of Home Ownership**

Diminished opportunities for households to move into entry level ownership represents a third challenge for the City of Richmond. Based on the most recent data published by CMHC, the cost of new entry level ownership units has increased from \$179,000 in 2001 to \$344,900 in 2006. This represents an increase of approximately 93%. The increase in price means that the qualifying income needed to move into new entry level ownership has also increased resulting in fewer households being able to move into home ownership. To the extent that fewer households are able to move into home ownership, the pressure on the existing rental housing stock will be increased.

This report addresses the main issues and proposes key strategic directions that can be taken at the municipal level including:

1. An articulated commitment to respond to issues related to housing affordability in the City of Richmond;
2. The use of regulatory tools and approaches to facilitate the creation of new affordable housing;
3. Strategies and approaches designed to preserve and maintain the existing rental housing stock;
4. Incentives to stimulate the creation of new affordable housing in partnership with the housing supply sector and other levels of government;
5. Building community capacity through targeted strategies as well as through partnerships brokered in the community; and
6. Advocacy aimed at improving the policy framework and funding resources available for responding to local housing needs.

## Key Stakeholders and Housing Partners

The housing supply system is complex and has many different stakeholders. In developing this Strategy and in identifying potential partnership opportunities, it is important to have a clear understanding of the roles and responsibilities of the different groups.

### **The Private Sector**

The private sector provides the majority of housing in the City of Richmond and is comprised of a number of stakeholders including private land owners, developers, investors, lenders and landlords. The investment and development activity of these different stakeholders is necessary to meet the housing demand in the City.

### **The Federal Government**

The Federal Government has legislative, regulatory and funding responsibility that helps to ensure an effective housing system for Canadians. Recent federal programs have included the provision of capital grants designed to support the creation of new affordable housing units as well as targeted funding designed to respond to the growing problem of homelessness in many large urban centres. The Federal Government (and Provincial Government) may also have unused affordable housing funds that were budgeted for but not used and put into reserve or trust funds.

#### *Federal Funding Under Bill C-48*

Federal funding promised under Bill C-48 (\$1.4 billion) was released to the Provinces in April 2006. The funding was allocated on a per capita basis with British Columbia receiving approximately \$106 million in funding. The funding covers the period from 2006/07 to 2007/08 and will provide the Province with important partnership opportunities. The funding was put into a housing trust to invest in affordable housing. As part of the 2007 Provincial budget, the Province announced that \$50 million over two years would be made available for up to 250 additional units of transitional/supportive housing for those who are homeless. To date, no proposal call has been issued.

#### *Federal Funding for Aboriginal Housing Need*

The Federal government also made \$50.9 million available to address Aboriginal housing need. This funding will help to create approximately 200 units of housing for Aboriginal people living off reserve. BC Housing issued an Expression of Interest (EOI) in March 2007. The closing date for submissions was April 26, 2007.



## Key Stakeholders and Housing Partners

### *Homelessness Partnering Strategy - (\$270 million over two years)*

The National Homelessness Initiative due to expire on March 31, 2007 has recently been extended under the Homelessness Partnering Strategy. This funding will follow the Supporting Communities Partnership Initiative (SCPI) model which targets communities that have been identified as having significant problems with homelessness. As with SCPI, these communities would be able to access multi-year funding which must be matched from other sources. The funding levels remain consistent with previous allocations with the GVRD receiving approximately \$8 million in annual funding over a two year period. This initiative will continue to form part of the work plan of the Regional Homelessness Steering Committee.

### *Two Year Extension to the Federal RRAP Programs (\$256 million for two years)*

Under this collection of programs, the Federal government makes funding available to assist low income households to undertake necessary repairs and renovations to their housing. This includes assisting low income seniors and persons with disabilities with necessary home adaptations as well as helping low income home owners to make necessary repairs. Some assistance is also available to assist with repairs and conversions of the rental and rooming house stock.

The following summarizes these Federal funds and initiatives.

<b>FEDERAL FUNDS &amp; INITIATIVES</b>	
<b>BILL C-48</b>	
Bill C-48 made \$1.4 billion available to facilitate the creation of affordable housing. This funding was announced as part of the 2006 Federal budget resulting in the creation of a number of <i>housing trust funds</i> . B.C.'s share of the funding is equal to approximately \$106 million.	This funding was referenced in the 2007 Provincial budget announcement with \$50 million over two years being announced. This funding will help to create up to 250 units of transitional/supportive housing for those who are homeless. To date, the Province has not issued an EOI.
<b>FUNDING FOR ABORIGINAL HOUSING</b>	
\$51 million was announced as part of the 2007 Provincial Budget to support the creation of up to 200 new rental, supportive or transitional housing units for Aboriginal households across the Province. There are also supports to increase home ownership opportunities for Aboriginal households living off reserve.	An EOI was issued by BC Housing on March 2 <sup>nd</sup> , 2007 with the closing date for submissions being April 26, 2007. Funding announcements have not yet been made.
<b>HOMELESSNESS PARTNERING STRATEGY</b>	
In December 2006, the Federal government announced that it would be extending the Federal Homelessness Initiative for two years. This means approximately \$8 million in annual funding to support the work of the Regional Homelessness Steering Community.	Program details at the Federal level are being finalized with information being made available through the GVRD Regional Homelessness Steering Committee.

## Key Stakeholders and Housing Partners

### **The Provincial Government/BC Housing**

The Province of BC, through BC Housing, also represents an important partner both in terms of facilitating the creation of new affordable housing units through various housing supply programs, as well as through the on-going provision of financial and administrative support to the non-profit and co-op housing sectors. BC Housing is also responsible for the administration of the Province's SAFER program (Shelter Aid for Elderly Renters) which provides financial assistance to low income senior renters living in the private market who are facing affordability challenges.

The Province currently has five (5) different programs/initiatives which offer funding assistance for groups with expressed housing need.

#### *Independent Living BC*

This is a housing for health partnership designed to facilitate the creation of supportive housing for seniors. This program is generally delivered in partnership with local health authorities. The Province has committed funding for a total of 4,000 units of housing under this program to be completed over the next 2 to 3 years. This program includes new housing construction, rent assistance in the private market and the conversion of existing units. The initial 3,500 units were announced in 2001 as part of the government's *New Era* commitments. However, as part of the recent announcement (October 2006) in the Provincial housing strategy - *Housing Matters BC*, an additional 500 units were announced.

#### *Provincial Homelessness Initiative*

This initiative evolved from the work that was done through the Premier's Task Force on Homelessness and included funding commitments for the communities which were part of the initial task force. As part of the announcement of the Provincial housing strategy- *Housing Matters B.C.*, the Province indicated that it would be make 450 additional units of housing available under this program.

#### *Homelessness Outreach*

This program was also announced as part of the Provincial housing strategy - *Housing Matters BC*. Under this program, the Provincial government has entered into a three year pilot program with local service agencies in order to assist those who are homeless to gain better access to the services and supports that they need.

## Key Stakeholders and Housing Partners

### *Rental Assistance Program (RAP)*

The Provincial housing strategy – *Housing Matter BC* also made \$40 million in funding assistance available to provide assistance to low income working poor families who are living in housing in the private rental market and have incomes of less than \$28,000. This housing assistance is designed to bridge the gap between the rent that a household is paying and what they can afford to pay.

### *Housing Endowment Fund and Community Partnership Initiatives*

The Province is also engaged in a program whereby they provide one-time funding, low cost mortgage financing and other types of assistance to help facilitate the creation of affordable housing outside of traditional programs. Under the most recent Provincial budget, \$10 million in annual funding has been made available each year in perpetuity to facilitate the creation of innovative housing solutions. Complete details are not yet currently available as to how communities would access this funding and it is expected that competition for available dollars may be significant.

<b>PROVINCIAL HOUSING PROGRAMS/INITIATIVES</b>	
<b>INDEPENDENT LIVING BC</b>	
Announcement of 550 units as part of the release of the Provincial housing strategy (October 3, 2006)	Unlike the Provincial Homelessness Initiative, no EOI was issued at the time that these units were announced. It may be worth exploring whether the Province will be issuing an EOI regarding these units and/or the potential timing. It may also be the case that the existing program is over-allocated.
<b>PROVINCIAL HOMELESSNESS INITIATIVE</b>	
Announcement of 450 units as part of the release of the Provincial housing strategy (October 3, 2006)	<i>As part of the Strategy, an EOI was issued and on February 23<sup>rd</sup>, 2007, the Province allocated 758 new supportive housing units (BC Housing web-site)</i>
<b>HOMELESS OUTREACH PILOT PROGRAMS</b>	
As part of the Provincial housing strategy, the Province announced \$3.6 million over three years to fund a number of homeless outreach pilot projects.	Community-based agencies and municipal partners in seven (7) GVRD communities received funding under this initiative.
<b>RENTAL ASSISTANCE PROGRAM</b>	
This program was announced as part of the release of the Provincial housing strategy with \$40 million in funding being available.	Under the current program, low income working poor families (annual incomes of \$28,000 or less) living in housing in the private rental market are eligible for some level of assistance. The program is currently being advertised in the local press. Richmond could explore ways to further communicate the program to low income families.
<b>PROVINCIAL HOUSING ENDOWMENT FUND</b>	
The Housing Endowment Fund was announced as part of the 2007 Provincial Budget (\$10 million annually). Details of the program have not yet been released but it is likely that it will be modeled after BC Housing's <i>Community Partnership Initiative</i> model.	Under the Community Partnership Initiative program, BC Housing will provide one-time funding, interim construction financing and other forms of assistance to support the creation of affordable housing. Developments receiving funding under this program require substantial financial contributions from other sources.

## Key Stakeholders and Housing Partners

### Other Provincial Ministries

There are a number of other Provincial Ministries that play various roles along the housing and support continuum. They include:

- The Ministry of Employment and Income Assistance (MEIA) which provides housing assistance and income support to individuals in need of social assistance including those who face persistent and multiple barriers;
- The Ministry of Children and Family Development (MCFD) which provides housing and support for 'at risk' and vulnerable youth; and,
- The Ministry of Community Services which is responsible for promoting sustainable, livable communities across BC, as well as targeted strategies for responding to the needs of seniors, women and other priority groups.

### Local Health Authorities

In addition to BC Housing, local Health Authorities also play an important role in responding to the specific needs of individuals who may require both housing and support. This can include individuals who have physical or mental disabilities as well as those who have a chronic and persistent mental illness and who are in need of both housing and support.

### The Regional Government

The Regional government is another key partner in responding to issues related to housing affordability, with long-term affordability being determined by the way in which the Region enables new housing supply through zoning, infrastructure and transportation decisions. The Greater Vancouver Housing Corporation (GVHC) is the second largest provider of subsidized housing in the region (BC Housing is the primary provider). In addition, the Region has taken a lead role to develop a coordinated approach for addressing regional issues related to homelessness, as well as ensuring that housing affordability remains a recognized priority within the context of the Region's broader strategic plan (LRSP). Currently, the GVRD is preparing a Regional Affordable Housing Strategy with City support and participation.

## The Housing Continuum

The 'housing continuum' provides an important conceptual framework for looking at housing affordability within the context of the broader housing system. In looking at the housing continuum, it is important to recognize that families and individuals will be situated at different points along the housing continuum depending on a range of factors including their general economic circumstances and life cycle stage. The choices along the housing continuum can include ownership and rental, as well as government supported housing such as public, non-profit and co-op housing.

Figure 1 provides an overview of the continuum of housing options available within the City of Richmond including ownership (condo and non-condo), private market rental housing, as well as non-market subsidized housing. It also includes information on the number of individuals living on the streets or in emergency shelters based on the most recent homeless count (2005).

Figure 1: The Housing Continuum

Home Ownership		Private Market Rental Housing	Non-market Rental (Subsidized) Housing	Homeless
Non-Condo Owners 25,875 (46%)	Condo Owners 14,380 (25%)	13,366 (23%)	3,154 (6%)	33
40,255 households (71%)		16,525 households (29%)		
Source: Statistics Canada, 2001 Census, BC Housing Non-market inventory, GVRD Homeless Count (2005)				

In looking at the housing continuum within the City of Richmond, it is important to note that:

- The majority of households (71%) are owners, of which approximately 36% (or 25% of all households) own condo units;
- Approximately 29% or 3 out of 10 households are renters with approximately 1 in 5 renter households (19%) living in subsidized housing;
- The recent homeless count (2005) identified approximately 33 individuals that were living on the streets or staying in emergency shelters. However, it is likely that this number represents only a small percentage of the total number of individuals and households who are homeless.

## Defining Affordability

At their meeting on July 24, 2006, City Council endorsed the following broad policy directions:

1. Affordable housing should be provided along the entire housing continuum, including entry level ownership, low end market rental and subsidized housing.
2. Encourage a variety of housing forms and tenures, especially new or innovative affordable housing and pilot projects, for a diversity of lifestyles at all income levels in all neighborhoods across the City.

These broad policy directions help to set the foundation for the strategies and actions set out in this report.

### **Understanding the Factors Influencing Individual Housing Choices**

Finding housing that is affordable is important to all citizens. For some, the challenge may be a matter of not having enough income. For others, it might be limited choices at a cost that they can afford. As part of the Interim Strategy, Richmond City Council acknowledged the importance of working to ensure that opportunities were available to respond to a diverse range of housing needs at key points along the housing continuum.

This section looks more closely at some of the policy options available for responding to the specific housing and support needs of households at different points along that housing continuum. This includes households requiring access to subsidized housing, low end market rental and entry level ownership.

A household's income will influence the choices that are available, with low income households having fewer and potentially less meaningful choices when compared to households at the upper end of the income distribution. In the Interim Strategy approved by Council on July 24, 2006, it was recommended that the City focus on three key segments of the housing market.

- Households with annual incomes of \$20,000 or less who face significant challenges in finding and keeping housing that they can afford;
- Households with annual incomes of \$20,000 to \$37,700 who face some difficulty in finding housing that is affordable and who require access to low end market rental options;
- Households with annual incomes of \$37,700 to \$60,000 who wish to make the transition to entry level ownership.

## Defining Affordability

The identification of the different target groups was based on an analysis of existing data related to the general housing and income profile in the City of Richmond.

Table 1 shows the different data sources and benchmarks that were used when identifying the different target groups.

Income Threshold <sup>1</sup>	Basis for Current Benchmark	Current Benchmark
Households with Income <\$20,000	CMHC Core Housing Need Data 2001 (City of Richmond)- Eligible for "deep core" assistance through existing social housing programs	\$21,767
Households with Low to Moderate Incomes \$20,000 to \$37,700	Core Need Income Threshold (CNIT) for the Vancouver CMA - Eligible for "shallow core" assistance through existing social housing programs	\$37,700
Entry-level Income of \$37,700 to \$60,000	MLS and CMHC Housing Market Data published on median housing/selling prices used to determine entry-level ownership thresholds	\$84,611

### Potential Policy Options Based on the Established Income Thresholds

The income thresholds which were established represent general guidelines and target groups for analyzing the range of potential options available for different segments of the population including the level of assistance required.

Income Threshold	Existing Policy Options	Depth of Need/Level of Assistance
Households with Income <\$20,000	<ul style="list-style-type: none"> <li>• Access to social housing</li> <li>• SAFER assistance for seniors (Provincial initiative)</li> <li>• Rent assistance for families (<i>new</i> Provincial initiative)</li> </ul>	<ul style="list-style-type: none"> <li>• Significant affordability gap resulting in a significant level of assistance in order to alleviate the depth of need</li> <li>• Requires high or "deep" subsidy</li> </ul>
Households with Income \$20,000 to \$37,700	<ul style="list-style-type: none"> <li>• Access to social housing</li> <li>• Access to low end market rental units</li> </ul>	<ul style="list-style-type: none"> <li>• Affordability gap improves as income increases with the level of assistance</li> <li>• Varying levels of subsidy from "shallow" to "deep"</li> </ul>
Entry-level Income of \$37,700 to \$60,000	<ul style="list-style-type: none"> <li>• Currently no policy options are available.</li> </ul>	<ul style="list-style-type: none"> <li>• Depends on program parameters</li> <li>• Generally shallow subsidy programs</li> </ul>

<sup>1</sup> These income thresholds are designed to provide *general guidelines* to the City of Richmond when discussing issues related to affordability. These income thresholds should be reviewed and up-dated as new information comes available.

## Defining Affordability

### Looking at the Affordability Gap

Using the income thresholds established within the context of the Interim Strategy, this section examines the general affordability gap and the range of potential options which could help to address the gap. This includes consideration of the strategies identified in the Provincial housing strategy – *Housing Matters BC* released on October 3, 2006 including rental assistance for families and seniors.

The affordability gap measure discussed in this section was first introduced by TD Economics (2003) as part of their analysis of housing need. This measure provides an important means of understanding the depth of need across the different market segments. In looking at the affordability gap, it is possible to evaluate the effectiveness of existing strategies and approaches. This measure also helps to identify the resources that are needed from key housing partners including senior levels of government to help to close the gap.

#### *Households with an Income of \$20,000 or Less Per Annum*

Table 3 on the following page shows the affordability gap for a household with an annual income of \$20,000 or less. The affordability gap is calculated by determining the difference between the average market rent across different unit types and the rent that is affordable to a household within a given income band based on the standard definition of affordability which is equal to 30% of income.

For a household with an annual income of \$20,000 an affordable rent is equal to \$500 per month based on the standard definition of affordability (30% of gross income on shelter costs).

In comparing the affordable rent with the average 2006 market rents<sup>2</sup> reported by CMHC for different unit types, it is determined that the affordability gap is between \$135 per month for a bachelor unit and \$670 per month for a 3-bedroom unit. Annually this translates into a shortfall of between 8% and 40% of a household's income. These findings suggest that households falling in this segment of the market typically require a high level of assistance in order to meet their housing needs. These are households which are also typically in need of access to subsidized housing.

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<sup>2</sup> These are the most current rents that are available.



## Defining Affordability

As noted in the Provincial housing strategy – *Housing Matters BC*, many low income families and seniors do not have special housing needs. These households simply do not have enough money to pay rent in the private market. As a result, *Housing Matters BC* has included targeted rent assistance for both families and seniors living in housing in the private market with this assistance helping to play a role in addressing the affordability gap for households that fall within this market segment.

Unit Type	Average Rent 2006 <sup>1</sup>	Affordable Rent <sup>2</sup>	Affordability Gap <sup>3</sup>	Annual Income Shortfall <sup>4</sup>
Bachelor	\$635	\$500	\$135	\$1,620
1-Bedroom	\$821	\$500	\$321	\$3,852
2-Bedroom	\$1,018	\$500	\$518	\$6,216
3-Bedroom	\$1,170	\$500	\$670	\$8,040

1 CMHC Rental Market Report (City of Richmond)  
 2 30% of income (\$20,000 per annum)  
 3 Difference between market rent and affordable rent (monthly shortfall)  
 4 Monthly shortfall times 12

### *Households with an Income of \$20,000 to \$37,700 Per Annum*

Applying the same rules, this section looks at the “affordability gap” for households with incomes between \$20,000 and \$37,700 with the analysis being calculated at the \$25,000, \$30,000 and \$37,700 income levels. These are households eligible for subsidized housing, but also in need of access to low end market rental options.

### *Households with an Income of \$25,000 Per Annum*

For a household with an annual income of \$25,000, an affordable rent is equal to \$625 per month based on the standard definition of affordability. Based on the current 2006 market rents, a household with an annual income of \$25,000 will face an affordability gap of between \$196 and \$545 per month depending on the unit type. This represents between 9% and 26% of their gross households income.

Unit Type	Average Rent 2006 <sup>1</sup>	Affordable Rent <sup>2</sup>	Affordability Gap <sup>3</sup>	Annual Income Shortfall <sup>4</sup>
Bachelor	\$635	\$625	No gap	No Shortfall
1-Bedroom	\$821	\$625	\$196	\$2,352
2-Bedroom	\$1,018	\$625	\$393	\$4,716
3-Bedroom	\$1,170	\$625	\$545	\$6,540

1 CMHC Rental Market Report (City of Richmond)  
 2 30% of income (\$25,000 per annum)  
 3 Difference between market rent and affordable rent (monthly shortfall)  
 4 Monthly shortfall times 12

## Defining Affordability

### *Households with an Income of \$30,000 Per Annum*

For a household with an annual income of \$30,000, an affordable rent is equal to \$750 per month based on the standard definition of affordability. Based on the current 2006 market rents, a household with an annual income of \$30,000 will face an affordability gap of between \$71 and \$420 per month depending on the unit type. At the 2 bedroom unit level, this shortfall represents 11% of gross household income.

Unit Type	Average Rent 2006 <sup>1</sup>	Affordable Rent <sup>2</sup>	Affordability Gap <sup>3</sup>	Annual Income Shortfall <sup>4</sup>
Bachelor	\$635	\$750	No Gap	No Shortfall
1-Bedroom	\$821	\$750	\$71	\$852
2-Bedroom	\$1,018	\$750	\$268	\$3,216
3-Bedroom	\$1,170	\$750	\$420	\$5,040

1 CMHC Rental Market Report (City of Richmond)  
 2 30% of income (\$30,000 per annum)  
 3 Difference between market rent and affordable rent (monthly shortfall)  
 4 Monthly shortfall times 12

### *Households with an Income of \$37,700 Per Annum*

For a household with an annual income of \$37,700, an affordable rent is equal to \$943 per month based on the standard definition of affordability. Based on the current 2006 market rents, a household with an annual income of \$37,700 requiring a 2 bedroom unit or less would be successful in finding housing that they can afford within the City of Richmond without facing a significant affordability gap.

Unit Type	Average Rent 2006 <sup>1</sup>	Affordable Rent <sup>2</sup>	Affordability Gap <sup>3</sup>	Annual Income Shortfall <sup>4</sup>
Bachelor	\$635	\$943	No gap	No shortfall
1-Bedroom	\$821	\$943	No gap	No shortfall
2-Bedroom	\$1,018	\$943	\$75	\$900
3-Bedroom	\$1,170	\$943	\$227	\$2,724

1 CMHC Rental Market Report (City of Richmond)  
 2 30% of income (\$37,700 per annum)  
 3 Difference between market rent and affordable rent (monthly shortfall)  
 4 Monthly shortfall times 12

## Defining Affordability

### Differences in the Level of Need and Range of Potential Policy Mechanisms

Applying the same rules, this section looks at the affordability gap for households with incomes of between \$20,000 and \$37,700 with the analysis being calculated at the \$20,000, \$25,000, \$30,000 and \$37,700 level. These are households which are eligible for subsidized housing, but which are also in need of rent assistance, and can access low end market rental options. Table 7 compares the affordability gap across the different groups with an emphasis on the general depth of need. In looking at the need profile captured on Table 7, it is clear that senior levels of government have a role to play in responding to the needs of households falling at the low end of the income continuum as local governments lack the resources required to address these needs through the municipal tax base.

	Households with Incomes \$20,000 <sup>1</sup>	Households with Incomes \$25,000 <sup>2</sup>	Households with Incomes \$30,000 <sup>3</sup>	Households with Incomes \$37,700 <sup>4</sup>
Affordable Rent	\$500	\$625	\$750	\$943
Affordability Gap Bachelor Units	\$135	No gap	No gap	No gap
Affordability Gap 1 Bedroom Units	\$321	\$196	\$71	No gap
Affordability Gap 2 Bedroom Units	\$518	\$393	\$268	\$75
Affordability Gap 3-Bedroom Units	\$670	\$545	\$420	\$227
Level of Assistance	Deep	Deep	Shallow	Shallow
1 From Table 3 2 From Table 4 3 From Table 5 4 From Table 6				

The City of Richmond has a role in encouraging the creation of new low end market rental units which would help to address the housing burden for households with incomes of \$30,000 to \$37,700 and which would provide a more affordable alternative for lower income households who are unable to gain access to subsidized housing. For example, if the City of Richmond was successful in working with the housing supply sector in creating housing which had a rent profile equal to between 85% and 90% of the current market rent, then it would be possible to reduce the affordability gap which currently exists and improve the affordability profile for households in housing need. Table 8 below shows the general rent profile for low end market rental units. Tables 9 through 11, in turn, show the potential improvement in affordability across the different income levels.

## Defining Affordability

Based on the findings reported in the following tables, it would appear that, if the City of Richmond is successful in generating low end market rental units through the creation of secondary suites and/or other strategies discussed in this report, then it would be possible to reduce the affordability gap for low income households. However, as shown on Tables 9, 10 and 11, the creation of low end market rental units would not eliminate the gap for households with incomes of \$30,000 or less. Furthermore, while it is desirable to ensure that limited housing resources are targeted to those in the greatest housing need, rents at levels lower than 85% to 90% of the current market would not provide sufficient revenue to carry the cost of new housing construction. As a result, it is not possible for the City of Richmond to assist households with incomes of below \$30,000 without funding assistance from senior levels of government.

**Table 8: Potential Low End of Market (LEM) Rents**

Unit Type	Current Market Rent 2006 <sup>1</sup>	LEM Rent (85% of market) <sup>2</sup>	LEM Rent (90% of market) <sup>3</sup>
Bachelor	\$635	\$540	\$572
1-Bedroom	\$821	\$698	\$739
2-Bedroom	\$1,018	\$866	\$916
3-Bedroom	\$1,170	\$995	\$1,053

<sup>1</sup> CMHC Rental Market Report (City of Richmond)  
<sup>2</sup> 2006 Market Rental @ 85% (LEM)  
<sup>3</sup> 2006 Market Rental @ 90% (LEM)

**Table 9: Improvement in the Affordability Profile for Household with Income of \$20,000**

Unit Type	Affordable Rent for Household with Income of \$20,000 <sup>1</sup>	Affordability Gap At Current Market Levels <sup>2</sup>	Reduced Affordability Gap (85% of market) <sup>3</sup>	Reduced Affordability Gap (90% of market) <sup>4</sup>
Bachelor	\$500	\$135	\$40	\$72
1-Bedroom	\$500	\$321	\$198	\$239
2-Bedroom	\$500	\$518	\$366	\$416
3-Bedroom	\$500	\$670	\$495	\$553

<sup>1</sup> 30% of income @ \$20,000 per annum  
<sup>2</sup> From Table 3  
<sup>3</sup> Affordable rent less LEM @ 85%  
<sup>4</sup> Affordable rent less LEM @ 90%

## Defining Affordability

**Table 10: Improvement in the Affordability Profile for Household with Income of \$25,000**

Unit Type	Affordable Rent for Household with Income of \$25,000 <sup>1</sup>	Affordability Gap At Current Market Levels <sup>2</sup>	Reduced Affordability Gap (85% of market) <sup>3</sup>	Reduced Affordability Gap (90% of market) <sup>4</sup>
Bachelor	\$625	No Gap	No Gap	No Gap
1-Bedroom	\$625	\$196	\$73	\$114
2-Bedroom	\$625	\$393	\$241	\$291
3-Bedroom	\$625	\$545	\$370	\$428

1 30% of income @ \$25,000 per annum  
 2 From Table 4  
 3 Affordable rent less LEM @ 85%  
 4 Affordable rent less LEM @ 90%

**Table 11: Improvement in the Affordability Profile for Household with Income of \$30,000**

Unit Type	Affordable Rent for Household with Income of \$30,000 <sup>1</sup>	Affordability Gap At Current Market Levels <sup>2</sup>	Reduced Affordability Gap (85% of market) <sup>3</sup>	Reduced Affordability Gap (90% of market) <sup>4</sup>
Bachelor	\$750	No Gap	No Gap	No Gap
1-Bedroom	\$750	\$71	No Gap	No Gap
2-Bedroom	\$750	\$268	\$116	\$166
3-Bedroom	\$750	\$420	\$245	\$303

1 30% of income @ \$30,000 per annum  
 2 From Table 5  
 3 Affordable rent less LEM @ 85%  
 4 Affordable rent less LEM @ 90%

### Entry Level Ownership Options – Households with Incomes of \$37,700 to \$60,000

The following table sets out the qualifying income and monthly housing cost for entry level ownership options within the City of Richmond. Based on data published by CMHC, the median selling price for a high rise condo unit was approximately \$344,900. This would be affordable to a household with an average annual income of approximately \$85,000 – an amount which is out of reach for many households in the City of Richmond. Table 12 illustrates the entry level ownership gap based on current market prices for households with incomes of between \$37,700 and \$60,000 wishing to move into home ownership. These entry level thresholds would require prices equal to between 40% and 67% of the current price levels and are more closely aligned with selling prices in 2001 and 2002.

## Defining Affordability

**Table 12: Entry Level Ownership Gap Based on Median Priced New Construction**

Qualifying Income	Affordable Price	Comparison to Current Entry Level Ownership	Current Prices Compared to the "Affordable Price"
\$60,000	\$232,000	\$344,900	1.5 times above
\$55,000	\$209,000	\$344,900	1.7 times above
\$50,000	\$186,000	\$344,900	1.9 times above
\$45,000	\$163,500	\$344,900	2.1 times above
\$40,000	\$140,500	\$344,900	2.4 times above

Source: CMHC, Housing Now, 2006 Median selling price, new construction high rise units

To some extent the home ownership mechanism is different from the rental housing mechanism in that there is a higher level of potential future benefit which may be realized by an individual household. As a result, it is important to develop appropriate structures and practices for ensuring that public investments are well targeted and that the principles of equity and fairness remain in place. In looking at home ownership models, there are a number of different policy decisions which determine eligibility. They include:

1. The amount of assistance that a household will receive;
2. The duration of the assistance; and,
3. The mechanism for ensuring long-term benefit for successive owners.

In order to secure entry level ownership as being affordable to households with an annual income of less than \$60,000, a Housing Agreement would be required. Many other municipalities use Housing Agreements but they do involve some administrative oversight and legal review. This includes identifying a suitable target market as well as administering and enforcing the Agreement in cases where a household wishes to sell. These Agreements can become complex in that they are structured to ensure that the owner does not "flip" the property and realize benefit from the public investments which have been made while at the same time recognizing that the household has all other rights and responsibilities of ownership. The Agreements are structured such that the eligible household is able to realize a proportion of the potential gain in the event that the market appreciates. Similarly, they would bear some of the risk of a loss in value.

There are two forms of Housing Agreement currently in use within the Lower Mainland. The first is a project in the City of Vancouver which is a deep subsidy model whereby the initial qualifying households purchased their 2-bed townhouse units at 50 to 60% of market with the City making the land contribution. Under the

## Defining Affordability

terms of this Agreement, the owners can sell their unit to a similar qualifying household using a similar discount. Thus, they will receive a pro-rated share of any gain or loss on the unit. The Housing Agreement which documents and enforces this arrangement is complex and consists of a right of first refusal by the City, an administration agreement and a covenant on title.

The second example uses a "sleeping second mortgage" which is suitable for shallow subsidy ownership programs. This is used as part of the SFU UniverCity project. This approach places a second mortgage on title in the amount of the initial subsidy. This amount is treated as a forgivable loan which is amortized over a period of time (often 10 years). If a household sells within that period of time, they simply pay the amount of the unamortized discount.

While there are standard agreements which are available which could be used by the City of Richmond, it would be necessary for the City to give some consideration as to the priority group which should be identified for this form of housing.

## Establishing Appropriate Targets

### The Context for Establishing Targets

To a large extent, housing affordability is determined by a number of macro-economic and regional factors. The principal macro-economic factors include interest rates, general inflation levels, incomes and taxation policy as well as the investment climate for new housing. Local and regional factors include provincial regulation around consumer protection, rental policy, employment conditions and inter/intra-Provincial migration. On a municipal scale, the City can help shape the responsiveness of the housing supply system to effective demand, but as noted above, affordability is largely influenced by the macro-economic conditions and the policies of senior levels of government.

The creation of new housing supply continues to have paramount importance for influencing the affordability profile into the future. Local government is most engaged at this level because of its central role in land use, provision of infrastructure and processing of building permits. The municipal climate can enable a robust housing supply response when macro-economic conditions favour housing investment.

Investment in the creation of new housing supply is almost entirely the result of private decisions by consumers, developers and investors. Government policy, including land use regulation, hopes to influence and guide the preferences of those private sector decisions in favour of creating housing products suitable for and affordable to the largest segment of the population possible. As outlined in this report, the recent shift in the Richmond affordability profile has created financial pressures over a broad segment of the population for both ownership and rental housing opportunities. The *Richmond Affordable Housing Strategy* hopes to improve Richmond's affordability profile.

Richmond's high level of housing starts over a wide variety of type and tenure is evidence of a strong and favorable attitude to new housing supply. It is noted that the municipality has limited influence over the exact number and precise type of units to be added to the housing continuum. Therefore, an important objective for the City is to continue to work to influence the provision of additional supply at key points along the continuum with a focus on priority areas such as entry level ownership, low end market rental and subsidized housing.



## Establishing Appropriate Targets

The City faces the greatest constraints in the provision of subsidized housing for low income and special needs households as this form of housing is largely being determined by public policy and public funding. In the past 10 years, there has been a significant reduction in senior government funding for social safety net programs including subsidized housing. This report recommends that the City of Richmond use some of its limited resources to try to leverage additional non-market housing supply (e.g., Affordable Housing Reserve Fund).

In looking at the question of what should be an appropriate target for subsidized housing, it is important to recognize that the City of Richmond and all other municipalities do not have the tax base needed to fund this form of social investment. In addition, the City of Richmond has undertaken a leadership role in encouraging senior governments to address the needs of those at the lowest end of the housing continuum with this being an area where senior governments have a direct role to play.

The City should continue to pursue its policy of adding new housing supply at all points along the housing continuum and to track and report on the composition of the new housing supply, and evaluate whether the supply response is contributing to the desired improvement in Richmond's affordability profile.

### **Assessing the Current State**

Data from the 1996 Census shows that the City of Richmond has a shortfall of approximately 3,960 units with rents of \$750 or less. Strategies adopted by the City should seek to reduce the deficit of units in this rent range since this proposed income threshold targets households with incomes of \$37,700 or less, in line with the subsidized housing and low end market rental categories of affordable housing. A number of potential policy directions are proposed to create additional affordable housing for these income thresholds, including preventing the on-going loss of rental stock and improving the affordability profile across the entire housing continuum.

This report has adopted a focus that recognizes the central role of creating new supply as the best policy approach for responding to existing and future affordable housing demand. The key strategies include:

1. Expanding the supply of subsidized housing in partnership with senior levels of government; and
2. Creating additional low end market rental units through enabling secondary suites and through the use of an inclusionary zoning/density bonusing approach.

## Establishing Appropriate Targets

Other strategies which have been identified include:

1. The requirement of a 1:1 replacement of existing rental units with new low end market rental units in cases where purpose-built rental housing stock is redeveloped; and
2. Exploration of potential redevelopment opportunities on existing subsidized housing sites.

**Table 13: The Inventory of Rental Units Across Richmond – Average Shelter Costs**

Shelter Costs	Number of Rental Units in Inventory	Affordable Threshold (at 30%) in \$	Households at Income Threshold (2001)	Shortfall of Units with a Rent Range
Group 1: Less than \$250	775	\$10,000	1,800	(1,025)
Group 2: \$250-\$499	955	\$20,000	2,470	(1,515)
Group 3: \$500-749	3,510	\$30,000	2,090	(1,420)
Group 4: \$750-\$999	5,100	\$40,000	2,080	3,020
Group 5: \$1,000-\$1,249	3,340	\$50,000	2,040	1,300
Group 6: \$1,250 or more	2,015	\$50,000+	6,040	(4,025)
Total	16,520 <sup>1</sup>		16,520	

CMHC Housing in Canada, 2000 (Based on the 1996 Census)

<sup>1</sup> The original inventory numbers were based on 1996 Census data and have been up-dated to reflect 2001 demand with the assumption that the increase in units is evenly distributed across units in the upper three ranges (\$750-\$999, \$1,000-\$1,249, and \$1,250+).

### Existing City of Richmond Targets:

Over the years, a variety of different targets have been established for the different housing types in Richmond.

#### Existing Affordable Housing Strategy (1994)

When Council amended its Affordable Housing Policy 5005 in 1994, it passed a resolution that staff work toward the following goal:

*"That 20% of new housing developed in the City as a whole, in designated areas such as the City Centre, and in large new developments should be affordable housing".*

According to a Price Waterhouse study in 2004, the future demand for housing in Richmond over the next 15 years is estimated to be 1,045 dwelling units annually. Applying the 20% affordable housing goal to this annual average would mean that 210 of these new housing units would be affordable housing each year (or 2,100 units over a 10 year period).

## Establishing Appropriate Targets

The existing Strategy does not indicate the type of affordable housing to be built. For the purposes of this report, it is assumed that they could have been distributed 1/3 to subsidized housing, 1/3 for low end market rental purposes and 1/3 for entry level ownership (70 units a year in each category).

### Official Community Plan (1999)

The OCP reiterates that the City should "continue to work towards the goal that 20% of housing developed should be affordable housing".

### Richmond Homelessness Needs Assessment and Strategy (2002)

In 2002, Council endorsed the above-noted strategy "as a framework to guide and co-ordinate local efforts to address homelessness in Richmond".

The Homelessness Strategy identified different short, medium and long term priorities/projects to be completed by 2008. These included:

- 20 bed emergency shelter for single men and women;
- 10 bed transition shelter for women;
- 10 unit emergency housing for youth;
- 10 – 12 units of second stage housing for women and children; and
- 10 – 12 units of second stage housing for single men and women.

In other words, a total of 60 – 64 additional beds or units were identified as being required in Richmond by 2008 which, in 2002 dollars, was estimated to cost \$6,200,000.

The Homelessness Strategy also identified some 2007 targets, such as:

- maintain the GVHC affordable housing waiting list at 1,300;
- increase the number of affordable housing units by 10% over the 2002 level of 2,476;
- 75% decrease in the number of people turned away from emergency and transitional shelters (based on 2002 levels);
- 10% decrease in the number of people paying 50% or more of income to rent; and
- 50% decrease in the local homeless population in 2002 (estimated to be around 30 people).

The Homelessness Strategy was prepared by City Spaces, with input from a wide variety of stakeholders.

## Establishing Appropriate Targets

### 2001 – 2006 Demographic Profile/Needs Assessment: Richmond Seniors Affordable Supportive Housing (2003)

In 2003, Council passed a motion that:

*“the increased development of seniors accessible affordable supportive housing be supported by entering into partnerships with Richmond Health Services, Greater Vancouver Housing Corporation and others, with the goal of creating 87 additional units per year from 2004 to 2026, based on the preservation of the City’s capital, if possible”.*

Seniors affordable supportive housing is defined as:

- most likely to be used for those 75 years and older;
- being affordable for those living below Statistics Canada’s Low-Income Cut Off (LICO), which in 2002 was approximately \$16,000 for a single person living in the GVRD; and
- combining a supportive and appropriate physical environment designed for privacy and independence, with a social model of flexible supports and assistance including emergency call, meals, and access to personal care and professional health care as required.

This assessment was prepared by the Social Planning and Research Council of BC (SPARC), with input from the Richmond Seniors Advisory Council, Vancouver Coastal Health Authority, Richmond Health Services, Greater Vancouver Housing Corporation, Greater Vancouver Home Builders Association and City staff.

### **Consultants’ Targets**

The consultants recommend that the targets for Richmond’s housing affordability be segmented by tenure (subsidized housing; low end market rental; entry level ownership), with the objective being to maintain or improve on the current mix.

In looking at the housing starts over the past five years, the City of Richmond has realized some success in generating ownership opportunities with the percentage of owners increasing between 1996 and 2001 by 14 per cent – a rate that was above the growth for the Region (12 per cent)<sup>3</sup>. From 1986 to 2001, the City of Richmond gained 18,745 households – an increase of 1,250 households annually. Current

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<sup>3</sup> In addition, the City of Richmond has been successful in achieving a rate of home ownership that is higher than the Region – 71 per cent compared to 61 per cent.

## Establishing Appropriate Targets

estimates prepared by PwC suggest that future demand is expected to continue by at least 1,045 households annually over the next 15 years.

While most of the demand is expected to be among home owners, the available data suggests that there has been a lack of purpose-built rental housing construction, as well as a loss of rental housing units at the lower end of the rental housing market. This has placed pressure on the existing stock. Based on data from CMHC's Housing Now publication, there have been fewer than 200 rental housing units created across the City of Richmond in the past 5 years. This includes units funded through the existing government housing supply programs.

One of the City's objectives in moving forward should be to continue to maintain its current community housing mix. At the same time, it will be difficult for the City to respond to the needs of households falling at the lower end of the housing continuum without the involvement of senior levels of government.

Currently the continuum shows that approximately 6 per cent of the existing, total housing stock (19% of the rental housing stock) is subsidized housing. This housing was created through considerable investment by the Federal and Provincial governments and represents an important asset for enabling the City to respond to the on-going needs of low income households.

As a benchmark, the City of Richmond should continue to explore opportunities to maintain 6 per cent of the total housing stock as a dedicated target for subsidized housing. However, this target will be difficult to achieve without funding support from other levels of government.

Taking a 10 year average of housing starts in the City of Richmond (1996 to 2005), there was an average of 1,215 new units created. To maintain the current distribution of housing by tenure and type, the City of Richmond would have to create a minimum of 73 new subsidized housing units each year.

This target is in line with the average annual increase in the number of households in the City of Richmond which have applied for subsidized housing through BC Housing. Based on data provided by BC Housing, on average the waiting list for subsidized housing has grown by approximately 64 households annually.

## Establishing Appropriate Targets

Similarly, the City should establish as a benchmark that it wants to maintain the current percentage of non-subsidized, market rental housing (i.e., 23% of the current community mix). This being the case, a total of 279 new low end market rental units would have to be built each year.<sup>4</sup>

**Table 14: Key Targets Across the Housing Continuum**

Tenure	Current Community Mix	Annual Target
Ownership	71%	863
Low End Market Rental	23%	279
Subsidized Housing	6%	73
10 Year Average		1,215

### Recommended Targets

Through the City staff report of November 10, 2006, the following priority areas were identified:

1. Subsidized housing for households with an annual income of \$20,000 or less (using City lands, the Affordable Housing Reserve Fund, developer cash-in-lieu contributions and help from other partners);
2. Low end market rental for households with an annual income of \$37,700 or less (units given to the City by the development community or stand alone sites built by developers and non-profit organizations).

The first policy direction would expand the inventory of units and target the supply deficit for households requiring housing that costs \$499 or less per month. The second policy direction, including the creation of secondary suites, adds additional capacity and provides an expanded range of choices for households requiring units that fall at the low end market rental range. The tables on the following pages summarize the existing City of Richmond targets and consultants' targets. The rationale for these achievable targets is explained in the following sections.

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<sup>4</sup> In terms of entry level ownership, data shows an average of 1,215 housing starts per year over the past 10 years. Based on a total shortfall of 4,025 renter households with incomes of \$50,000 or more (see Table 13), and assuming that 40% of this group are not interested in ownership or are currently transitional or mobile, this leaves 2,415 renter households interested in home ownership. By selecting a target of 20% of the 1,215 units annually as entry level ownership, approximately 243 entry level ownership units could be created each year. This would address the demand for entry level ownership housing of approximately 2,415 units in approximately 10 years.

## Establishing Appropriate Targets

**Table 15A: Comparison of Different Annual Targets of Affordable Housing**

Source	Subsidized Housing	Low End Market Rental	Entry Level Ownership	Total Affordable Housing Units
1994 Affordable Housing Strategy and 1999 OCP (20% of housing)	70 (assuming 33% of 210)	70 (assuming 33% of 210)	70 (assuming 33% of 210)	210 (based on 1,045 demand over next 15 years)
2002 Homelessness Needs Assessment & Strategy	64 (by 2008)	None specifically	None specifically	None specifically
2003 Seniors Affordable Supportive Housing Needs Assessment	87 (from 2004 to 2026)	None	None	None
1996/2000 Current State CMHC Housing in Canada	254 (assuming 10 years to meet 2,540 demand)	142 (assuming 10 years to meet 1,420 demand)	None	None
2007 Consultants Suggested Targets	73 (maintaining existing 6% of housing stock)	279 (maintaining existing 23% of housing stock)	243 (based on 20% of starts over past 10 years)	595 (based on 1,215 average over past 10 years)
<b>Achievable Targets</b>	<b>25*</b> (assuming 80% equity from others)	<b>95</b> (through inclusionary zoning/density bonusing: 75 secondary suites/coach houses; 20 apartment units)	<b>60</b> (small units but not secured as affordable housing)	<b>120 – 145</b> (120 affordable housing units more achievable than 145 affordable housing units because 80% equity from others more likely)
	<b>50*</b> (assuming 90% equity from others)			
* Both the subsidized housing achievable targets assume \$1,000,000 is collected annually in cash-in-lieu contributions from townhouse rezoning applications based on the proposed \$2.00 per buildable square foot (not the existing \$0.60 per buildable square foot)				

# Establishing Appropriate Targets

**Table 15B: Annual Affordable Housing Targets**

Type of Affordable Housing	Existing Shortfall	Consultants Targets Accepted By City	How The Consultants Targets Accepted By The City May Be Achieved Through Density Bonusing
<p>Affordable Subsidized Rental Housing: Council's 1<sup>st</sup> priority. Households annual income less than \$20,000. 30% income = \$500/month maximum. Homeless; People with addictions; Mentally challenged; Single parents with limited incomes; Seniors on fixed pensions; Families requiring subsidies; Etc.</p> <p>Note: The City prefers to invest in land or subsidized rental housing buildings, not both in an affordable housing project.</p>	<p>A current shortfall of 2,540 total affordable subsidized rental units. Based on 2000 CMHC Study using 1996 Census. Shortfall is expected to be even greater in 2006 Census.</p>	<p><b>73 annually affordable subsidized rental units.</b> Existing 6% of subsidized rental housing in Richmond times the total number of units built on average annually over past 10 yrs 6% of 1,215 = 73 units/yr (2.9% of shortfall).</p>	<p><b>A.</b> \$2.00 sq ft cash contribution from townhouse rezonings (not \$0.60 sq ft) = approximately \$1,000,000 annually. \$1,000,000 = 5 affordable subsidized rental units annually (@ \$200,000 per unit).</p> <p><b>B.</b> If 80% equity from senior governments = \$4,000,000 annually Total \$5,000,000 = 25 affordable subsidized rental units annually.</p> <p><b>C.</b> If 90% equity from senior governments = \$9,000,000 annually Total \$10,000,000 = 50 affordable subsidized rental units annually.</p>
<p>Affordable Low End Market Rental Housing: Council's 2<sup>nd</sup> priority. Households annual income \$20,000 - \$37,700. 30% income = \$500 - \$943 month. Young adults; Recently retired; Lower income families; Students; Individuals without equity; Etc.</p> <p>Note: 250 new secondary suites annually could be created through the Building Permit process that will not be secured as affordable low end market rental housing.</p>	<p>A current shortfall of 1,420 total affordable low end market rental units. Based on 2000 CMHC Study using 1996 Census. Shortfall is expected to be even greater in 2006 Census.</p>	<p><b>279 annually affordable low end market rental units.</b> Existing 23% of low end market rental housing in Richmond times the total number of units built on average annually over past 10 yrs 23% of 1,215 = 279 units/yr (19.6% of shortfall).</p>	<p><b>A.</b> 75 new secondary suites or coach houses created through rezoning applications annually (50% of new houses).</p> <p><b>B.</b> 20 new apartment units from private development annually (4 units x 5 buildings). 95 total affordable low end market rental units annually.</p> <p><b>C. Alternative:</b> \$0.60 sq ft cash contribution from single family rezonings = approximately \$90,000/yr + \$4.00 sq ft cash contribution from apartment and mixed use rezonings = approximately \$1,500,000/yr. \$1,590,000 cash contribution yr = 8 affordable low end market rental units @ \$200,000 per unit.</p>
<p>Affordable Entry Level Ownership Housing: Council's 3<sup>rd</sup> priority. Households annual income \$37,700 - \$60,000. 30% of \$37,700 income = \$140,500 unit*. 30% of \$60,000 income = \$232,000 unit*. * assumes 10% down payment, 5.2% interest rate and 25 year mortgage. Families or adults wanting to get into the housing market; Etc.</p>	<p>A current shortfall of 2,415 total affordable entry level ownership units. Based on 2000 CMHC Study using 1996 Census. Assumes 60% of total shortfall of 4,025 renter households with incomes over \$50,000 buy a home.</p>	<p><b>243 annually affordable entry level ownership units</b> Assuming 20% of the total number of units built on average annually over past 10 yrs 20% of 1,215 = 243 units/yr (10% of shortfall).</p>	<p>If 15% of the apartments and mixed use rezonings build small units (e.g., one bedroom @ maximum size 645 sq ft) = 60 small entry level ownership units (5 bldgs x 80 units each x 15% = 60). Typically built by development community now on their own initiative. City would support 15% of units being one bedroom units less than 645 sq ft but will not secure these small units as affordable entry level ownership because the priority is affordable subsidized rental housing and affordable low end market rental housing. Entry level ownership is not to be provided at the expense of developer contributions to affordable subsidized rental housing or the construction of affordable low end market rental units.</p>



## Establishing Appropriate Targets

### Funding Subsidized Housing - Resource Constraints

Resource constraints represent a major challenge in responding to the shortfall in subsidized housing. The City of Richmond's Affordable Housing Reserve Fund provides one approach for generating units targeted to households with annual incomes of less than \$20,000. However, success in meeting the targets that have been identified will be dependent on senior government funding.

It is estimated that annual contribution to the Affordable Housing Reserve Fund has been equal to between \$850,000 and \$1,000,000. This figure is based on historical performance, the number of rezoning applications approved and the assumption that townhouse developments would be contributing approximately \$2.00 per buildable square foot towards affordable housing (not the current \$0.60 per buildable sq ft).

Other municipalities which have reserve funds frequently use this money to purchase land to further their affordable housing objectives. Land costs represent a significant percentage of the capital cost of a new housing project. However, depending on the size of development, the City's contribution at \$1,000,000 may not be sufficient to acquire an appropriate site. Therefore, it is important for the City to work to ensure that senior government funding is in place and that they are in a position to lever this funding. This may include contributing to a portion of the land costs.

The following table sets out two possible scenarios for leveraging senior government funding. In the first case, it is assumed that the City's contribution of \$1,000,000 is equal to approximately 20% of the capital costs and that the Province will fund the balance. This translates into approximately 25 subsidized housing units at an estimated capital cost of \$200,000 per unit. If the City is able to lever 90% of the capital costs from the Province, then approximately 50 subsidized housing units can be created with the same \$1,000,000 contribution. However, this would require rigorous negotiation with the Province, with this being done on a case by case basis within a program framework.

Assuming that the City of Richmond is able to lever its current Affordable Housing Reserve Fund balance of \$6,000,000 and the Province is willing to contribute between 80% and 90% of capital costs, it would be possible for the City to generate an additional 150 or 300 subsidized housing units. This could be either in one or two major projects or in a number of smaller projects. For the purposes of this report, it is assumed that approximately 25 to 50 subsidized housing units could be created annually by drawing \$1,000,000 a year for the next 6 years from the Affordable Housing Reserve Fund (assuming either 80% or 90% equity from the Province).

## Establishing Appropriate Targets

**Table 16: Estimated Annual Impact of Use of the Affordable Housing Reserve Fund**  
(Assumes a cost/unit of \$200,000 and \$1,000,000 annual City contribution from the Fund)

Senior Government Contribution as % of Capital Costs	80%	90%
City of Richmond Contribution	\$1,000,000	\$1,000,000
Senior Government Contribution	\$4,000,000	\$9,000,000
City of Richmond Equity Contribution as % of Capital Costs	20%	10%
Number of Subsidized Housing Units Created (Annual Cash-in-lieu Contribution of \$1,000,000 based on a contribution rate of \$2.00 per buildable square foot from townhouse rezoning applications)	25 units	50 units
Number of Subsidized Housing Units Created (Affordable Housing Reserve Fund \$6,000,000)	25 units	50 units

If one were to assume that the units were to be delivered over a five year time frame starting in 2008, depending on the partnership contribution from senior levels of government, it is estimated that between 50 to 100 subsidized units could be created annually and that the total of number of units created would fall between 250 and 500.

**Table 17: Possible Scenarios for the Creation of Subsidized Housing Units**

		2008	2009	2010	2011	2012	Total
<b>Current Affordable Housing Reserve Fund Balance (\$6,000,000)</b>	Low	25	25	25	25	25	125
	High	50	50	50	50	50	250
<b>Estimated Annual Cash-in-lieu Contributions (\$1,000,000)</b>	Low	25	25	25	25	25	125
	High	50	50	50	50	50	250
<b>Total Estimated Number of Units</b>	Low	50	50	50	50	50	250
	High	100	100	100	100	100	500

If the City is successful in leveraging units with a 10% equity contribution, this would translate into 500 units over the next 5 years (2008 to 2012) or approximately 100 units per annum. This would meet the targets established by the *Richmond Homelessness Needs Assessment and Strategy* and the *Richmond Seniors Affordable Supportive Housing Needs Assessment*. It would also exceed the consultant's target of maintaining the existing percentage of subsidized housing in Richmond.

## Establishing Appropriate Targets

In addition, it would start to address the current demand for 2,540 units with rents of \$500 per month or less. These units would also help to respond to the needs of the more than 700 households that have applied and/or are waiting for subsidized housing. Furthermore, this target exceeds the average annual increase in the number of households in the City of Richmond which have applied for subsidized housing through BC Housing. Based on data provided by BC Housing, on average the waiting list for subsidized housing has grown by approximately 64 households annually in Richmond.

However, the above-noted scenario assumes the City is successful in negotiating a significant equity contribution from the Province and other funding partners. If these senior partners require a higher equity contribution from the City, then fewer units can be built. For example, assuming that the City of Richmond is required to contribute approximately 20% of project costs, then it is estimated that only 250 units can be built over the next 5 years (2008 to 2012). This translates into approximately 50 units per year.

Although this would meet the target established by the *Richmond Homelessness Needs Assessment and Strategy* over a couple of years, it would not meet the demand identified in the *Richmond Seniors Affordable Supportive Housing Needs Assessment*. Furthermore, 50 units per year would not maintain the existing percentage of subsidized housing in Richmond.

Similarly, it would take much longer to address the current demand for 2,540 units with rents of \$500 per month or less and the more than 700 households that have applied and/or are waiting for subsidized housing. This scenario also would not meet the need for subsidized housing based on data from BC Housing which indicates that their waiting list has grown by approximately 64 households annually.

In summary, should the City be required to come up with a higher equity contribution, it will have to seek other funding sources to meet the demand for subsidized housing (e.g., a higher cash-in-lieu contribution from developers; non-profit funding; etc.).

### **The Creation of New Low End Market Rental Housing**

In addition to the subsidized housing units for households with annual incomes of less than \$20,000, the City wants to see a substantial number of low end market rental housing units built for households with an annual income of between \$20,000 to \$37,700. As noted, there have been very few new rental housing units created

## Establishing Appropriate Targets

largely because of systemic changes introduced by the Federal government in the investment policy and taxation regime for rental housing assets.

It has been estimated that approximately 75 new secondary suites and coach house units could be added annually to the low end market rental inventory through the inclusionary zoning/density bonusing approach to single-family residential rezoning applications received after July 1, 2007.

The Building Approvals Department has estimated that 250 secondary suites could either be legalized or built through the building permit process. However, since a Housing Agreement can not be a condition of a building permit, there is no way the City can guarantee that these secondary suites will be used for affordable low end market rental housing purposes.

In addition to the secondary suites and coach house units secured through the rezoning application process, it has been assumed that the City could receive around 20 low end market rental units a year through the inclusionary zoning/density bonusing approach from multiple-family residential rezoning applications. This is based on the assumption that approximately 5 new low rise apartments or high rise developments containing more than 80 residential units are rezoned in one year and the City receives the minimum 4 units per building. This may be a conservative estimate based on the current level of building activity in Richmond.

Together, the inclusionary zoning/density bonusing approach will generate around 95 affordable low end market rental units a year. This will partially help address the current demand of 1,420 units with rents between \$500 - \$749 per month.

In order to meet the consultant's recommendation to maintain the existing percentage of low end market rental housing in Richmond (23% or 279 units a year), additional ownership units will have to go into the rental pool and/or the development community will have to build purpose-built rental projects. Unfortunately, it may be difficult to meet this higher target without assistance from the other levels of government.

Emerging housing policy work on market rental has increasingly focused on a tax credit mechanism which would generate Provincially and/or Federally funded incentives for private investors to create low end market rental units. This approach would help to reduce the deficit which currently exists in the low end market rental housing supply. Changes to existing tax policy would help to create additional

## Establishing Appropriate Targets

capacity for responding to the needs of low and moderate income households by targeting the qualifying investments while at the same time stimulating the creation of new low end market rental stock. In the U.S., most Federal and State support for housing is delivered through tax credit programs and over 1.5 million units have been created over the past 25 years.

It should be noted that should the City be successful in getting:

- 25 affordable subsidized rental housing units built a year; and
- 95 affordable low end market rental housing units built annually,

it would be meeting 20% of the consultant's targets for affordable housing in Richmond. To totally meet the consultant's targets for affordable subsidized rental housing and affordable low end market rental housing will require additional, significant financial resources from senior levels of government, the non-profit housing sector and other willing partners.

### **Entry Level Ownership Units**

In light of the fact that *Richmond Affordable Housing Strategy* is placing priority on subsidized housing and low end market rental units, the targets for affordable entry level ownership units are not critical at this point in time. This is not to say that the City won't encourage small entry level ownership units or the use of lower cost finishings to make ownership projects more affordable. However, it would appear that the gap between what these units are currently selling for and what is affordable to households with an annual income of between \$37,700 and \$60,000 is very significant. Furthermore, the City does not want to encourage entry level ownership units at the expense of subsidized housing or low end market rental units.

### City of Richmond Action Municipal Strategies and Actions



This section focuses on the potential municipal strategies that can be taken for responding to the on-going need for affordable housing. The directions set out in this section build on the discussion in the previous section with a focus on the specific tools and actions that are available at the municipal level. Many of the key strategies and actions outlined in this section are designed to build on actions previously initiated by the City of Richmond. In addition, some require the commitment and resources of senior levels of government.

#### **Key Strategic Directions:**

The following key policy directions have been set out in this report for consideration by Richmond City Council. This includes a detailed discussion of the potential opportunities and risks as well as recommended actions for the City to consider.

**Policy Area 1-** An articulated commitment to respond to issues related to housing affordability in the City of Richmond;

**Policy Area 2-** The use of regulatory tools and approaches to facilitate the creation of new affordable housing;

**Policy Area 3-** Preserve and maintain the existing rental housing stock;

**Policy Area 4-** Incentives to stimulate the creation of new affordable housing in partnership with the housing supply sector and other levels of government;

**Policy Area 5-** Build community capacity through targeted strategies as well as through partnerships brokered in the community; and,

**Policy Area 6-** Advocacy aimed at improving the policy framework and funding resources available for responding to local housing needs.

## Policy Area #1 An Articulated Commitment

### City of Richmond Action An Articulated Commitment to Housing Affordability



Communities play an important role in identifying local housing needs. This includes:

- Ensuring that local housing priorities are identified in local planning documents including the *Official Community Plan (OCP)* and Area Plans;
- Playing an active role in finding solutions to civic challenges through participation in a variety of municipal and housing sector associations including the Union of British Columbia Municipalities (UBCM), the Federation of Canadian Municipalities (FCM), the GVRD and other local and regional organizations; and,
- Conducting on-going research to identify emerging needs and priorities.

The City of Richmond has continued to show leadership in these different areas including research on potential strategies and initiatives to address homelessness as set out in the *Richmond Homelessness Needs Assessment and Strategy*, as well as the *2001-2026 Demographic Profile/Needs Assessment* designed to respond to the needs of an aging population.

Up-dating the *Richmond Affordable Housing Strategy* is another way in which the City of Richmond has demonstrated an on-going commitment to responding to local housing needs. This Strategy builds on existing initiatives which the City of Richmond has already put into place, and identifies new approaches for the City.

The approval and implementation of the key elements set out in this Strategy will not only contribute to the creation of additional affordable housing units, but will also help to signal to senior levels of government and other housing partners that housing affordability is a City priority.

After the *Richmond Affordable Housing Strategy* has been approved and there is some concrete experience implementing it, City staff will revise the OCP to ensure that it is consistent with the policies and directions set out in the Strategy.

## Policy Area #1: An Articulated Commitment

This would include amending the current definitions in the OCP (e.g., affordable housing; assisted housing; Affordable Housing Statutory Reserve; etc.) and the Housing policies related to variety of tenure, entry level and affordable housing, and special needs housing. It is not expected that the OCP amendment will be significant, but it is believed the *Richmond Affordable Housing Strategy* should be incorporated into the OCP via a bylaw and the statutory public hearing process rather than just remaining a policy of Council. The OCP amendment will occur later this year as a separate exercise or next year as part of the overall review of the OCP.

Since the City Centre Area Plan (CCAP) is also being updated this year, it will be amended to contain the policies and directions of the *Richmond Affordable Housing Strategy*. Over time, the other Area Plans will be reviewed and revised, as necessary, based on the experience of implementing the Strategy.

To support the implementation of this Strategy, and to demonstrate the City's ongoing commitment to housing affordability, it is recommended that the following steps and actions be taken:

1. City Council approve the *Richmond Affordable Housing Strategy* and, specifically, the following recommendations, policies, directions, priorities, definitions and initial annual targets.

Priority	Housing Type	Definition	Initial Annual Target
1 <sup>st</sup> Priority	Affordable Subsidized Rental Housing	Households with an annual income of less than \$20,000	73 affordable subsidized rental housing units a year
2 <sup>nd</sup> Priority	Affordable Low End Market Rental Housing	Households with an annual income of between \$20,000 and \$37,700	279 affordable low end market rental units a year
3 <sup>rd</sup> Priority	Affordable Entry Level Ownership Housing	Households with an annual income of less than \$60,000	243 entry level ownership units a year
Affordable is defined as meaning that no more than 30% of the gross income of a household is spent on housing costs (excluding cablevision, telephone, other telecommunications and utility fees)			



## Policy Area #1 An Articulated Commitment

2. The City hire a temporary full time employee, to work in the Real Estate Services Division of the City's Business & Financial Services Department, to assist in the implementation of this Strategy<sup>5</sup>.
3. A work program be prepared annually by staff for Council approval to implement the *Richmond Affordable Housing Strategy*.
4. The results of the Strategy be monitored and reported annually to demonstrate that the City is committed to the on-going creation of affordable housing.
5. The Official Community Plan (OCP), and City Centre Area Plan (CCAP) currently being updated, be revised later this year to be consistent with the policies and directions set out under this Strategy once it has been approved by City Council. Over time, the other Area Plans will also be reviewed and revised, as necessary, based on the experience of implementing the *Richmond Affordable Housing Strategy*<sup>6</sup>.
6. City staff continue to work with the Greater Vancouver Regional District (GVRD), senior governments and other key planning and decision making bodies to ensure that housing affordability issues are recognized and addressed at the Regional, Provincial and Federal levels, and that appropriate resources are made available.

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<sup>5</sup> The full time employee could either be on contract or on staff. The use of a consultant is not recommended as they would not be able to dedicate themselves fully to implementation of the *Richmond Affordable Housing Strategy*. Funding for this position could from the proposed new Affordable Housing Operating Reserve Fund or other sources including general revenue from taxation.

<sup>6</sup> The *Richmond Affordable Housing Strategy* is not to be implemented in the Alexandra Neighbourhood of the West Cambie Area Plan because this area has its own affordable housing strategy.

### City of Richmond Action Use of Regulatory Tools and Approaches



This section looks at specific tools and approaches which can be adopted by municipalities to improve the overall affordability profile of housing and to contribute to the creation of new housing supply. In setting out some of the key policy directions for consideration, it is important to recognize that municipalities play an important role in creating conditions that stimulate and create new affordable housing supply to address the demand.

Traditional elements falling within the municipal purview include zoning provisions through land use regulation, permit processing, and infrastructure and servicing financing. City planning can also influence important community investments like schools, parks, recreation facilities, retail and entertainment facilities, and faith institutions, all of which support the quality of life of residential and mixed neighbourhoods.

#### **Zoning Tools for Major Rezonings**

This section focuses specifically on some of the potential opportunities that may be available through the zoning mechanism. This can include up-zoning or rezoning, which, when used with tools like density bonus provisions, can improve the affordability of housing through increased densities and promote a diverse mix of affordable housing types.

Within the U.S., the use of inclusionary zoning is an approach which has been used with some success as a means of creating additional affordable units. The inclusionary zoning mechanism typically involves a trade-off between the municipality and the developer where additional density is exchanged for amenities or affordable housing.

The inclusionary zoning mechanism is structured such that a percentage of units in a given development are sold or rented to households with low to moderate incomes. A policy document recently published by the Province entitled *Local Government*

## Policy Area #2 Regulatory Tools and Approaches

*Guide for Improving Market Affordability* indicates that this model has been used on Bowen Island, with developers beginning to show interest in this model as a means of obtaining multi-family density through comprehensive rezoning.

This section examines the potential opportunities for the City of Richmond to adopt a similar type of approach and sets out some of the potential opportunities and risks.

### **Creating New Affordable Housing – Developer Delivered Model**

When the City of Richmond first established the Affordable Housing Reserve Fund, it was envisioned that the rezoning mechanisms could be used to create value, which could be translated either directly into units or a cash-in-lieu contribution. However, the experience to date has shown that the current mechanism tends to favour the cash-in-lieu contribution as this approach is the most economical and straight-forward for developers.

One of the key components of the *Richmond Affordable Housing Strategy* is that the City would prefer to have affordable housing units built rather than receive cash-in-lieu contributions. Having said that, it is recognized that that it would be impractical for smaller developments to provide 1 or 2 affordable housing units scattered around the City. Therefore, it is proposed that all townhouse projects and any apartment developments involving 80 or less residential units be allowed to make a cash-in-lieu contribution towards affordable housing. Each low rise apartment building and high rise development containing more than 80 residential units would be required to make 5 per cent of the total building area (a minimum of 4 affordable housing units) available for low end market rental purposes. In both cases, whether a cash-in-lieu contribution is received or affordable housing units are built, the City would use the inclusionary zoning/density bonusing approach to obtain the affordable housing contribution or units at the time of rezoning.

Utilizing this approach, the City will both receive cash-in-lieu contributions to the Affordable Housing Reserve Fund, which will create additional opportunities to partner with senior levels of government, and the creation of affordable housing units “on the ground”.

### **Adopting an Inclusionary Zoning/Density Bonusing Approach**

The cash-in-lieu approach requires establishing an appropriate rate for developer contributions – one which captures an appropriate amount of the incremental land value arising from rezoning without removing the incentive for the project itself.

## Policy Area #2 Regulatory Tools and Approaches

The inclusionary zoning/density bonusing approach is a more complicated mechanism which stipulates the percentage and type of unit to be provided within a given rezoning. The approach is premised on the assumption that the increased density allowed through the rezoning will act as a subsidy for making the units affordable, given the density bonus would in effect translate into “free land”.

The work undertaken by G.P. Rollo and Associates Ltd. helps to provide a baseline for evaluating this proposed approach by determining the incremental land value attributable to the increased density allowed under a rezoning. As a matter of principle, it is proposed that the contribution levels required under the inclusionary zoning/density bonusing approach be based on the Rollo work calculating the “land lift” (increase in the value of the land) from rezoning a property.

### **Evaluating the Project Economics of the Developer Delivery Model**

In looking at potential strategies and alternatives under the inclusionary zoning/density bonusing approach, it is important to recognize that project economics vary by size, scale and project type. Therefore, it is necessary to set different contribution requirements.

The contribution requirements that are set will depend on the type of unit that is being created (high rise, low rise, townhouse or single family dwelling), as well as the point on the housing continuum that is being targeted (entry level ownership, low end market rental, and/or subsidized housing) and the size of the affordability gap to be addressed (shallow or deep subsidy).

Based on the work currently underway by G.P. Rollo & Associates, it is assumed that a minimum of \$4.00 per buildable square foot will be the threshold for obtaining affordable housing units. This estimate helps to establish the baseline for evaluating the potential alternatives available through the inclusionary zoning/density bonusing approach.

In keeping with the City’s objective of encouraging a variety of housing forms and tenures for a diversity of lifestyles at all income levels, the viability of the inclusionary zoning/density bonusing approach was “tested” on various housing options.

## Policy Area #2 Regulatory Tools and Approaches

### **Exploring the Potential Options – Entry Level Ownership Under the Developer Delivery Model**

In the case of entry level ownership, the approach could be structured such that the rezoning applicant is asked to provide strata units at a price point that is affordable to purchasers with an annual income of between \$37,700 and \$60,000 depending on the City's specific eligibility criteria and the related project economics. The example used in this report is modeled on an income threshold of \$60,000 which corresponds to a selling price of approximately \$232,000.

Under this scenario, a developer would be able to recover a portion of the incremental cost of creating these units with the difference between the incremental cost and the selling price representing a "subsidy" that is created through the rezoning process and which is delivered to the qualified purchaser of the unit.

A Housing Agreement could be used to regulate the terms of the sale. This would include setting out specific terms and conditions with respect to eligibility for access, as well as specific terms and conditions upon resale. The objective would be to ensure that the housing that is created is serving a specific need group (in this case, entry level ownership for households with annual incomes of \$60,000).

Using data generated through the research by G.P. Rollo & Associates Ltd., it is estimated that an entry level ownership unit targeted to a household with an income of \$60,000 would require a subsidy equal to approximately 25% of the construction cost.

It is expected that the size and type of unit that is created through this mechanism would be consistent with the general unit mix in the development. For example, if the development contains a mix of 1 and 2 bedroom units, it is expected that the units that are made available will fit this general mix.

### **Low End Market Rental Housing - Developer Delivered Model**

In the case of rental housing construction, the project economics are more difficult to successfully balance. Based on the available data, it would appear that units rented for low end market rental purposes (affordable to households with incomes between \$20,000 to \$37,700) would only generate sufficient revenue to cover approximately 50% of the cost to construct. This suggests that, in order to successfully balance the

## Policy Area #2 Regulatory Tools and Approaches

project economics, it is likely that the units which are created will have to remain at the upper end of the low end market rental scale (specifically, households with an annual income in the \$30,000 to \$37,700 range).

This, in turn, suggests that, while this approach will help to alleviate some of the affordability challenges which low income families and individuals may face, it is not possible to use this mechanism to eliminate the full affordability gap for households at the lower end of the income range. This would include households with incomes of between \$20,000 and \$30,000 where the affordability gaps are estimated to be between \$135 and \$670 depending on the unit type and income profile.

In spite of the limitations which have been noted, it is important to recognize that, should the City of Richmond be successful in implementing this housing model, it will help to create an expanded range of affordable units for households with low to moderate incomes. Conversations with the development community have generated mixed reviews.

### **The Ownership and Management of the Units**

In the event that the City is successful in putting this model into place, the ownership and management of the units are two other important considerations. In the case of the ownership of the units, it was originally anticipated that the City would be registered on title as the owner of these units with the ownership being in the form of a strata title unit. The City, in turn, would contract the management of this housing to an appropriate non-profit housing society or property management company, which would have responsibility for tenant selection and placement based on the City's criteria, which is likely to change over time.

In response to concerns expressed by the development community (e.g., represented by UDI), the City is now prepared to allow the developer to own the affordable housing units or sell them to a third party as a block of units. This being the case, the developer or third party would be responsible for managing the units for affordable low end market rental housing purposes.

To some extent, the management of the City-owned low end market rental units created under this approach would present some challenges in that the units would be geographically dispersed and could potentially entail higher administrative and maintenance costs. However, it is likely that housing created through this approach

## Policy Area #2 Regulatory Tools and Approaches

could be “pooled” and a management contract established with a qualified group with experience in this area.

The potential viability of this approach has been discussed with Terra Housing Management as well as with selected non-profit housing providers, including the Board of Directors for The Katherine Sanford Housing Society, and in general the reactions have been favourable. Criteria used to evaluate proposals to manage this portfolio are set out in Policy Area 5 of this report.

### **Finding an Appropriate Balance**

As discussed in the previous section, one of the challenges in addressing the affordability needs of those at the low end market rental segment of the housing continuum is the depth of need that can be addressed. If one were to use rents only modestly lower than conventional rents (i.e., 85%-90% of market), this would help to improve the affordability profile for households with incomes in the \$30,000 to \$37,700 range.

As one targets households lower down the income scale (i.e., with incomes of between \$20,000 and \$30,000), it will not be possible to address the full depth of need through this mechanism as the cost of the unit delivered through this model is equal to approximately 50% of the market price with the required contribution under the inclusionary zoning/density bonusing approach being equal to 50% of the increase in value arising from the rezoning.

Taking these factors into consideration, there are a number of ways in which it would be possible for the City of Richmond to increase the existing inventory of low end market rental housing for households with incomes between \$20,000 to \$30,000.

1. The City could encourage smaller unit sizes and lower building features in order to make the project economics more attractive to the developer (but these units may not be suitable for families).
2. The City could request the GVHC or BC Housing to help subsidize the low end market rental units by allowing them to manage these units or by asking them to give an operating grant to the non-profit housing provider who might be managing them on behalf of the City (this assumes the City will own these units as strata title lots and could make larger units more “affordable” to families).

## Policy Area #2 Regulatory Tools and Approaches

3. A third alternative would involve selling the low end market rental unit to a non-profit housing society with the purchase price being funded by a mortgage loan. The purchase of these units at a discounted rate has been done successfully in the past by non-profit housing societies through CMHC mortgage financing using conventional rental underwriting criteria. In addition, some non-profit societies, such as Coast Foundation and others, have been successful in using "stacked" funding through Provincial rent assistance programs (SAFER, SIL or even potentially the "new" family rent assistance program) to improve the general affordability/cost profile for low end market rental units, with this assistance acting as a "shallow subsidy".

### **Addressing the Need for Subsidized Housing (Households Requiring Deep Subsidies)**

The use of the inclusionary zoning/density bonusing approach does not appear to work as well in the case of household requiring "deep" subsidies (i.e., units targeted to households with annual incomes of \$20,000 or less). The low rent levels (30% of gross income or \$500 per month for a household with an annual income of \$20,000) means that rents are largely consumed by operating expenses, taxes and utilities with very little cash flow being available to service the capital cost of the unit. Consequently, the unit must be almost entirely subsidized by the rezoning mechanism at a cost of approximately four times more than entry level ownership.

Taking this into account, the analysis suggests that only a small number of additional deep need units could be created through this approach with large scale rezonings being the most likely to successfully accommodate the proposed mix.

Instead, it is recommended that the City's Affordable Housing Reserve Fund (combined with funding support from senior levels of government) represents the best model for responding to the specific needs of individuals and households falling at the lowest end of the housing continuum. This is discussed in more detail in Policy Area 5 of this report which looks at strategies for building community capacity, as well as creating partnerships with community-based agencies and senior levels of government as a means of addressing priority needs.

In particular, the resources made available through the Fund can be targeted to meet the specific housing and support needs of priority groups. Likewise, this



## Policy Area #2 Regulatory Tools and Approaches

approach would allow the City to take advantage of the significant experience and expertise which exists within the social housing sector.

### **Incentives for the Inclusionary Zoning/Density Bonusing Approach to Low End Market Rental and Subsidized Housing**

The analysis suggests that there is merit in the use of an inclusionary zoning/density bonusing approach along with funding contributions to the City's Affordable Housing Reserve Fund. However, the analysis also shows that there are limits to the amount that can be carried by the development process alone. Therefore, it may be necessary for the City to show flexibility and to make adjustments to the proposed approach as issues arise. This includes finding the right mix in terms of unit size and type, as well as proposed rent levels needed to allow for the incremental floor area ratio (FAR) to be successfully translated into a viable development.

Successful implementation of this approach might also require that the City consider flexibility around other elements which may contribute to an improved cost profile. This could include a relaxation of Development Cost Charges as discussed in Policy Area 4 of this report, as well as a relaxation in parking, floor area ratio or other requirements. For example, the Urban Development Institute has indicated that it costs approximately \$30,000 to build a parking space in an urban setting. As a result, the relaxation of parking requirements could help to improve the overall affordability profile. Without these types of adjustments, it is possible that the development will not be viable. As a result, it is important that the City of Richmond ensure that this approach, if implemented, is:

- Grounded in the project economics so as not to deter development or adversely affect general housing affordability;
- Able to provide a system that is consistent and predictable for the development industry and community; and,
- Practical and achievable and does not in a material way complicate or delay the rezoning process.

It is important to recognize that some level of negotiation with the City will be required regarding the developers' affordability contribution (units or cash-in-lieu). It should also be emphasized that the provisions under the inclusionary zoning/density bonusing approach occur within the context of the rezoning process and that City Council will make a decision based on the merits of each rezoning application.

## Policy Area #2 Regulatory Tools and Approaches

Table 18 summarizes the general guidelines which can be applied to the inclusionary zoning/density bonusing approach. The information set out in Table 18 can be used to provide general guidance to rezoning applicants, staff and members of City Council around this particular mechanism and the general equation that is used to determine an appropriate trade-off.

It should be noted, however, that the inclusionary zoning approach is highly innovative in the Canadian and BC context. It is therefore recommended that the City exhibit flexibility with the initial applicants in order to create a practical and workable model. This might include lowering the required percentage of affordable housing if necessary or altering the housing agreement to meet the specifics of a project.

Some of the key elements to be considered in adopting this approach include:

- Expectations related to the percentage of units which are required to be designated as affordable within a given development;
- General guidelines related to unit size and mix;
- General guidelines related to the proposed rent levels (set at between 85% and 90% of the current market);
- Income groups to be targeted through this approach; and,
- The regulation or enforcement mechanism.

The information set out in Table 18, on the following page, only applies to low rise and high rise developments containing residential units.

Townhouse developments will operate on a cash-in-lieu basis.

## Policy Area #2 Regulatory Tools and Approaches

**Table 18: Key Elements in the Inclusionary Zoning/Density Bonusing Approach**

Key Elements	Low End Market Rental				Entry Level Ownership			
Type of development <sup>7</sup>	Low rise and high rise developments containing more than 80 residential units				Low rise and high rise developments containing more than 80 residential units			
Number of units created at the minimum	4 units				4 units			
General Guidelines Related to Unit Mix and Size	Consistent with the current unit mix within the building				Consistent with the current unit mix within the building			
General Guidelines Related to Proposed Price	Between 85% and 90% of the current market rent based on CMHC rental market data				Varies—standard practice is 50% to 60% of market			
Ownership	City of Richmond				Private ownership <sup>8</sup>			
Maximum monthly housing cost	85% to 90% of the current market rents reported by CMHC				50% to 60% of market values			
Average Cost	Unit Type	Min. Size	Rent Level		Unit Type	Min. Size	Selling Price	
			Market	90% Market			Market	55% Market
	bachelor	400 sf	\$635	\$572	bachelor	400 sf	__9	--
	1-bed	535 sf	\$821	\$739	1-bed	535 sf	\$276,000	\$151,800
	2-bed	860 sf	\$1,018	\$916	2-bed	860 sf	\$413,000	\$227,150
3-bed	980 sf	\$1,170	\$1,053	3-bed	980 sf	\$430,000	\$236,500	
Income Target	\$20,000 - \$37,700				\$60,000			
Management of the Units	Management and tenant selection contracted to a non-profit housing society				Owned			
Priority needs served	Families and seniors requiring shallow subsidy who have applied for social housing				To be determined			
Regulation and Enforcement	Housing Agreement registered on title				Housing Agreement registered on title			

Possible strategies and actions for the City of Richmond to consider with respect to the use of inclusionary zoning/density bonusing approach include:

<sup>7</sup> Rezoning applications – not including townhouses or small apartments.

<sup>8</sup> Not a priority at this time given the critical need for low end market rental units but may be considered at a future date or on a specific case by case basis.

<sup>9</sup> Lack of current data available for newly built bachelor units.

## Policy Area #2 Regulatory Tools and Approaches

### Affordable Subsidized Rental Housing

1. In order to help meet the City's targets for affordable subsidized rental housing, a density bonusing approach under Section 904 of the *Local Government Act* involving the provision of a cash contribution is to be utilized for all townhouse developments and for apartment or mixed use developments involving 80 or less residential units.
2. Where a cash contribution for affordable housing is received under this statutory density bonusing approach, it should be based on the following amounts for rezoning applications received after July 1, 2007:
  - a) \$2 per square foot from townhouse developments; and
  - b) \$4 per square foot from apartment and mixed use developments involving 80 or less residential units.

### Affordable Low End Market Rental Housing

3. In order to help meet the City's targets for affordable low end market rental housing, a density bonusing approach involving the provision of affordable housing units as an amenity be utilized for apartment and mixed use developments involving more than 80 residential units for rezoning applications received after July 1, 2007.
4. Where an affordable housing unit density bonusing approach is provided for apartment and mixed use developments involving more than 80 residential units:
  - a) at least 5% of the total residential building area (or a minimum of 4 residential units) should be made available for affordable low end market rental purposes;
  - b) the unit sizes and number of bedrooms will be determined by the City; and
  - c) the affordable low end market rental units will be subject to a housing agreement registered on title.
5. If the ownership of the affordable low end market rental units is transferred to the City, the units will be rented to eligible tenants and:
  - a) each unit should be created as a separate strata lot; and
  - b) the responsibility for management and tenant selection of all the units owned by the City may be contracted to a single non-profit housing provider or property management company.
6. Alternatively, the developer may retain ownership or transfer the units to a third party such as a property management company, in which case the units must be rented to eligible tenants and:
  - a) each unit must not be transferred separately (and will be secured by a no separate transfer covenant); and

## Policy Area #2 Regulatory Tools and Approaches

- b) the responsibility for management and tenant selection for all of the units owned by the developer or a third party will be the responsibility of that developer or third party.
7. The developer, or a group of developers, may concentrate their required affordable low end market rental housing units together in one building or site, rather than having them scattered in a number of different buildings or sites.
8. City Council may exhibit flexibility with initial apartment and mixed use rezoning applicants involving more than 80 residential units in order to identify and address implementation issues, and to create a practical and workable model.

### **Other Strategies for Adding Low End Market Rental Units- Secondary Suites**

Encouraging and promoting secondary suites is another tool that is available to local governments. The creation of secondary suites helps to provide additional low end market rental housing choices for residents and responds to the shortage of rental housing units. Policies related to secondary suites also help to encourage a variety of housing forms and tenures for a diversity of lifestyles across income levels and neighbourhoods, which is consistent with the City's stated goals and objectives.

The City of Richmond currently does not have a policy in place to allow for the legalization of existing secondary suites and/or for the creation of secondary suites in new single family residential developments. Recognizing the significant supply-side constraints on purpose-built rental housing and the on-going pressure on the existing rental stock, as well as the growing affordability challenges that many households face, it is believed that this form of housing can represent an important rental option for households with low to moderate incomes.

At this point in time, it is proposed that secondary suites only be permitted in single family dwellings. The City of Richmond does not want to allow multiple suites in a single or two family dwelling. Those involved in the public consultation process expressed a significant level of support for the legalization of secondary suites in single-family dwellings. The City may also be willing to explore secondary suites in multiple family residential developments in the future if this is proven to be a suitable form of affordable housing.

## Policy Area #2 Regulatory Tools and Approaches

The units created through this form of housing generally fall within a more affordable range than units which are created through purpose-built rental housing and/or rent condo stock. Given that a central objective of the City is to encourage the construction of affordable housing, it is proposed that a housing agreement be used to ensure that the rents being charged fit within the City's definition of affordability<sup>10</sup>. This will help to ensure that the secondary suites and coach house units created through the rezoning process are meeting the intended need for affordable low end market rental housing in Richmond.

Taking this into consideration, it is recommended that the City of Richmond:

1. Adopt a Secondary Suite Policy which would allow for the legalization of one existing or new secondary suite in any single family dwelling, subject to requirements.
2. In order to help meet the City's targets for affordable low end market rental housing, a density bonusing approach is to be taken for single-family residential rezoning applications received after July 1, 2007.
3. Where the density bonusing approach is taken in exchange for a higher density, all lots that are being rezoned but not subdivided and at least 50% of any lots that are being rezoned and subdivided are to include:
  - a) a secondary suite; or
  - b) a coach house unit above the garagefor affordable low end market rental housing purposes.
4. Where a secondary suite or a coach house unit above the garage is built as part of the approval of a single-family residential rezoning application, it should not be strata titled and it should be designated as an affordable low end market rental unit through a housing agreement registered on title.

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<sup>10</sup> At the December 5, 2006 Planning Committee meeting, staff were directed to explore and report back on the viability of putting a cap on the rents of secondary suites and coach houses.

## Policy Area #3 Existing Rental Housing Stock

### City of Richmond Action

Preserve and Maintain the Existing  
Rental Housing Stock



The existing rental housing stock in the City of Richmond provides homes for approximately 3 in 10 households. Based on data compiled in the 2001 Census, almost half of the existing rental housing stock (47%) was built after 1980. In addition, the stock appears to be in reasonably good repair.

At the same time, the City has recently experienced a number of cases involving tenants complaining about housing conditions. In response to these concerns, Council has adopted a Standards of Maintenance Bylaw to address issues of heat, light and water where these utilities are part of the monthly rental payment.

#### **Responding to the Loss of Existing Rental Housing Stock**

The City of Richmond faces the potential loss of existing rental housing stock through pressure for redevelopment and/or the conversion of the existing stock to strata title. These pressures are more pronounced in a heated real estate market where fast rising urban land values increase the economic impetus of redevelopment. Based on the forecasts prepared by PriceWaterhouseCoopers (PwC) for the GVRD in 2004, it is estimated that the City of Richmond could lose as many as 1,240 rental housing units between 2006 and 2021. The potential loss of this stock combined with the lack of new rental housing construction suggests that the City of Richmond may face a shortfall of more than 3,000 rental units by 2021 relative to the forecasted rental demand.

It is also important to recognize that rental vacancy rates in the City of Richmond continue to remain low. Vacancy rates of less than 2% are acknowledged to constitute a "tight" rental market. Average vacancy rates for rental units in Richmond since 2000 have ranged from between 1.2% to 2% depending on the unit size, confirming that renters in Richmond operate within a consistently tight rental market. The lack of new purpose-built rental housing, as well as increasing demand for rental housing, suggest that the rental market is likely to remain tight for the foreseeable future.

## Policy Area #3 Existing Rental Housing Stock

In response to these challenges, the Interim Strategy adopted by City Council on July 24, 2006 recommended that a moratorium be placed on the demolition or conversion of existing multi-family rental housing stock, except in cases where there is a 1:1 replacement of units. In moving forward, it is recommended that:

1. The City's current moratorium on the demolition or conversion of the existing multi-family rental housing stock, except in cases where there is 1:1 replacement, that was adopted by City Council on July 24, 2006 as part of the Interim Strategy, be replaced with an OCP policy encouraging a 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family and mixed use developments, with the 1:1 replacement being secured as affordable housing by a housing agreement in appropriate circumstances.
2. That City staff establish a process to monitor and report on the future loss and provision of existing/new rental housing units.
3. That the City's existing Residential Policy 5012 limiting the strata title conversion of multi-family residential developments when there is a rental vacancy rate of less than 2% be re-examined with a view to ensuring that the affordable rental housing stock is adequately maintained and increased.



## Policy Area #4 Incentives for Affordable Housing

### City of Richmond Action

#### Incentives to Create New Affordable Housing Units



Incentives to create additional affordable housing units can include the relaxation of Development Cost Charges for not for profit rental housing and supportive living housing, the expediting and streamlining of rezoning and other development applications for subsidized housing and low end market rental developments, as well as the potential reimbursement of development fees or other municipal costs.

Typically, when a City makes a direct contribution to facilitate the creation of housing units, a housing agreement is used to ensure that this housing remains affordable over the long term. This agreement is typically negotiated between the developer and the municipality as part of the approvals process and is registered on title. A housing agreement must be adopted by bylaw.

The rezoning mechanism and density bonusing approach are well established practices which can achieve powerful results. Where developments include a percentage of low end market rental units, the City should pursue the opportunity aggressively. Density bonus provisions can be very successful but it may be necessary that other relaxations are also required. Often, developments cannot realize the value of the increased density due to other constraints like parking requirements, the maximum permitted floor area ratio, height restrictions, fire/building code requirements, and the marketability of the unit. In addition, flood plain issues and proximity to the airport can limit the City of Richmond's ability to offer density bonuses beyond a certain height or floor area ratio calculation.

The reduction or deferral of property taxes to aid in making affordable housing more economically feasible has also been suggested and is something which the City should explore.

While not all developments will be able to take advantage of the types of approaches which have been identified in this section, such actions serve to give a clear signal to the development community that the municipality is 'partnership ready'. In addition, these initiatives help to demonstrate the City's commitment to affordable housing

## Policy Area #4: Incentives for Affordable Housing

and enhance the City's effectiveness in building partnerships with senior levels of government.

The development community should also be encouraged to explore opportunities for corporate sponsorship. For example, one housing developer in Ontario reported that many of his suppliers and sub-trades were willing to donate some of their time or products to ensure that the housing that was developed was built to a high standard while at the same time remaining affordable.

City departments will be encouraged to review the *Richmond Affordable Housing Strategy* to identify any barriers in their policies and City bylaws that would limit the development of new affordable housing in Richmond. Similarly, the development community and stakeholders will be encouraged to identify all impediments to low end market rental and subsidized housing that exist within the City. For example, it has been noted that Canada Mortgage and Housing Corporation (CMHC) can place financial restrictions on a development that has a parking covenant registered on it. The intent will be to remove these barriers or impediments as part of the ongoing implementation of the Strategy.

Taking these factors into consideration, it is recommended that:

1. Rezoning and development permit applications be expedited, at no additional cost to the applicant, where the entire building(s) or development consists of affordable subsidized rental housing units.
2. The DCC Bylaw be reviewed to determine the financial and engineering implications of waiving or reducing DCCs for not for profit rental housing, including supportive living housing (e.g., affordable subsidized rental housing and affordable low end market rental housing that is rented on a not for profit basis).
3. The Province be asked to amend the *Local Government Act* to:
  - a) include affordable housing as a DCC item and also as a subject cost charge waiver; and
  - b) permit the Greater Vancouver Sewerage and Drainage District (GVS&DD) to waive regional GVS&DD DCCs on social housing and to reduce regional GVS&DD DCCs on affordable low end market rental housing.

## Policy Area #4 Incentives for Affordable Housing

4. City staff examine density bonus provisions, exempting affordable housing from floor area ratio (FAR) calculations and review incentives such as parking relaxations and other possible options to assist in the creation of affordable subsidized rental housing and affordable low end market rental housing.

### City of Richmond Action Building Community Capacity Through Targeted Strategies



The City of Richmond has been active in seeking to build partnerships at the local level to respond to existing and emerging housing needs. This includes active involvement with the non-profit and co-op housing sectors in identifying opportunities to respond to gaps in the housing continuum. These gaps include:

- 1 Emergency housing for the homeless, with highest priority being directed to women and youth;
- 2 Detox beds for adults and youth;
- 3 Housing for those with a mental illness;
- 4 Adaptable and accessible housing for seniors and those with disabilities;
- 5 Housing for low income families; and,
- 6 Live/work space for artists and others.

These groups are closely aligned with the priority groups identified in the Provincial housing strategy – *Housing Matters BC* which was released last year, with housing for people with mental illness, addictions and the homeless representing the priority groups identified through the Premier’s Task Force. In addition, frail seniors and persons with disabilities are priority groups for assistance under the Independent Living B.C. program. As a result, it is expected that both the Province and other levels of government will play a key role in addressing the housing challenges facing these groups.

Staff has been working with the Richmond Committee on Disability and the Urban Development Institute on the development of a Basic Universal Housing Guidelines By-Law. The purpose of this by-law will be to require basic universal housing features to be introduced for apartments within a building containing an elevator and one storey, ground level townhouse units. This is seen as a separate exercise from the *Richmond Affordable Housing Strategy*, however it is recommended that City staff:

## Policy Area #5 Building Community Capacity

1. Continue to work with the Richmond Committee on Disability (RCD), the Urban Development Institute (UDI), Greater Vancouver Home Builders Association (GVHBA) and the Province to:
  - a) develop universal accessible housing guidelines for multiple-family residential dwellings;
  - b) encourage fully adaptable/universally accessible flex houses in single-family residential rezoning applications; and
  - c) ensure that the universal accessible housing guidelines do not adversely affect housing affordability.

### **Addressing Other Priority Needs**

The exploration of opportunities for affordable live/work accommodation has also been identified as an important policy area. This can occur as part of the update of the City Centre Area Plan in 2007 and the Official Community Plan in 2008. At this point in time, no decisions have been made on which of the above noted groups would receive priority for land or units owned by the City. Interest has also been expressed in developing an Abbeyfield seniors' housing project and Habitat for Humanity development in Richmond. Both of these forms of housing could be accommodated by this Strategy.

### **Using the Affordable Housing Reserve Fund to Address Local Priorities**

The Affordable Housing Reserve Fund, created by the City in 1994, provides an important mechanism for creating partnerships with key groups and agencies in the community, as well as other levels of government in order to effectively respond to existing and emerging needs. To date, the City has been successful in accumulating over \$6,000,000 through this fund. Interest from this Fund remains in the Affordable Housing Reserve Fund (it does not go into General Revenues).

Taking into consideration the pressing nature of the existing needs, it is recommended that:

## Policy Area #5 Building Community Capacity

1. The Council periodically request proposals from groups and agencies in the community that, with funding provided partially through the City's Affordable Housing Reserve Fund, as well as funding from senior levels of government and other partners, would enable the creation of additional affordable subsidized rental housing and affordable low end market rental units designed to meet the priority needs and existing gaps in Richmond.
2. In responding to City proposal calls, proponents will be required to demonstrate experience/expertise/capability in a number of categories including project development, funding, non-profit property management and residential construction, and will in some cases be able to contribute equity or private capital.
3. The following criteria is to be used to evaluate the proposals:
  - a) Compatibility with the *Richmond Affordable Housing Strategy* priorities;
  - b) The experience of the development and property management team;
  - c) The strength of partnerships including equity contributions, funding commitments and support from other levels of government;
  - d) The identification of key development risks and mitigation strategies,
  - e) The management capacity and experience of the proponents in working with special needs/priority groups and/or community partnership arrangements to address these needs; and
  - f) Other criteria identified in the call for proposals.

### **Establishing a Revolving Fund for Meeting the City's Objectives**

The approach outlined above allows the City to build on the existing strengths of the non-profit and co-op sectors, as well as other key community partners, in responding to identified priority needs. It also allows the City to lever funding from other levels of government.

Interest has been expressed in examining the creation of an Affordable Housing Trust Fund<sup>11</sup>. The key advantage of a trust fund is that it enables contributions to

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<sup>11</sup> At the December 5, 2006 Planning Committee meeting, staff were directed to investigate and report back on the affordable housing initiatives taken by the Cities of Surrey and Langley amongst others, in particular with regard to the Affordable Housing Trust Fund and financing.

## Policy Area #5 Building Community Capacity

be made to it as a charitable donation. Typically, this type of trust fund is administered by a Foundation or independent body from the City (it is unlikely private individuals or the public will want to give charitable donations to a municipal government that has taxation powers). This being the case, City Council loses control of how the monies in the Affordable Housing Trust Fund are spent.

The City of Surrey is just embarking on this process specifically to address its homelessness issue. It is proposed that Richmond monitor the success of Surrey's program before embarking on changing the Affordable Housing Reserve Fund to an Affordable Housing Trust Fund.

In going forward, it is recommended that:

1. A new Affordable Housing Operating Reserve Fund be established which can be used for the purpose of:
  - a) Hiring staff to administer the *Richmond Affordable Housing Strategy*, legal costs, the administration and management of affordable housing units, and associated operating costs; and
  - b) Paying consultants and conducting updates, research and general or specific affordable housing studies related to the *Richmond Affordable Housing Strategy*.
2. The existing Affordable Housing Reserve Fund be used for capital purposes for affordable housing, including:
  - a) Purchasing and exchanging property or residential dwelling units for affordable housing;
  - b) Financing the construction of affordable housing projects;
  - c) Securing funding commitments from senior levels of government and/or private partnerships; and
  - d) Partnering with other levels of government and/or private agencies to achieve affordable housing in Richmond.
3. Generally, funding from the Affordable Housing Reserve Fund is to be allocated through a competitive proposal call process annually depending on the availability of funds. It is acknowledged that under special development circumstances (e.g., to meet senior government funding deadlines), a non-competitive proposal call may be used.

## Policy Area #5 Building Community Capacity

### Building Effective Partnerships

It is important for the City of Richmond to build effective partnerships with key funding partners, as well as with the development community, in order to identify partnership opportunities for expanding the current supply of affordable housing within the City. It is also important for the City to work with housing providers to promote coordinated access to affordable housing. This could include the creation of a housing registry which is designed to track and report on the availability of affordable housing units in Richmond. This registry could also help to ensure that housing applicants are aware of the full range of housing options that are available to them. BC Housing has been working with housing providers across the GVRD to try to improve the level of coordination and to create opportunities to share information across the non-profit and co-op housing sectors. Participation in this Registry would help to provide better access to information for housing applicants, as well as a better understanding of the extent of housing needs that exist. Taking these factors into consideration, it is recommended that:

1. Regular meetings are to be held with key Federal and Provincial government ministries/agencies, representatives from the non-profit and co-op housing sectors, UDI, GVHBA and other key stakeholders, to build effective communication and affordable housing partnership opportunities.
2. City staff examine the cost and implications of:
  - a) The implementation of a City of Richmond affordable housing registry; or,
  - b) Encouraging all affordable housing providers/operators to participate in BC Housing's housing registry as a common waiting list rather than duplicating this information.

### Developing and Implementing a Strategic Land Acquisition Program

In the past, the City has made City-owned land available at or below market value to facilitate the creation of affordable housing. This strategy helped create the current inventory of subsidized housing and move the City towards realizing its affordability objectives.

Taking this into account, it is recommended that:



## Policy Area #5 Building Community Capacity

1. Where appropriate, certain City lands be used for affordable subsidized rental housing and affordable low end market rental purposes (not affordable entry level ownership), including where funding has or will be obtained from other levels of government and/or private partnerships.
2. The City develop a strategic land acquisition program for affordable housing with funding for the preparation of the program coming from the Affordable Housing Operating Reserve Fund and the acquisition of lands coming from the Affordable Housing Reserve Fund and other sources where appropriate.
3. A Request for Proposals (RFP) be issued to seek affordable housing proposals for 8111 Granville Avenue/8080 Anderson Road and 5491 No. 2 Road. Consideration should also be given to the concurrent disposition of 8111 Granville Avenue/ 8080 Anderson Road and the acquisition of an alternative less costly site nearby should a reasonable proposal be brought forward by other market participants or should a viable affordable housing project not be brought forward for this site.

City of Richmond Action  
Advocacy to improve the policy  
framework and funding  
resources



In recent decades, most new housing has been built for ownership purposes and the purpose-built rental market has been disadvantaged by taxation policies and low rates of return, particularly relative to market housing and market condos. While it is possible for municipalities to respond to some of the immediate rental sector challenges, over the longer term it is necessary to look at financing mechanisms and taxation policies which can help to improve the overall project economics related to the construction of new rental housing. This includes changes to the current taxation environment for rental housing production including:

- The deduction of GST input for rental operators;
- Reduction of GST and PST on new rental housing construction;
- Capital gains roll-over on the sale and reinvestment in real estate assets;
- Provisions for rental housing operators to access small business deductions; and,
- Tax credit incentives to promote investment in low income rental housing.

Without some of the changes noted above, it is likely that private investment in new rental housing construction will remain limited.

It is also important to recognize that the ultimate determinant of housing affordability is the capacity of the supply sector to meet effective demand in a timely fashion. Removing barriers to land supply and permits, and attracting investment to the sector improves the supply, thereby enhancing the affordability profile. Conversely, restrictions on land supply and capital have an adverse effect on supply which is ultimately borne by consumers, particularly at the low end of the continuum.

The supply sector extends across both the private and public sectors and includes the development industry, banks and financial institutions, regulatory participants and taxation authorities, all of which are subject to macro-economic forces that are global and national in scale including interest rates, inflation, taxation and income

## Policy Area #6 Advocacy

policy. All of these factors can affect the sector's ability to respond to local housing needs.

The policy alternatives identified in this report, to the extent they are adopted, can provide relief or capacity improvements at various points along the housing continuum. However, it is important to understand that no single policy change taken in isolation can dramatically improve the entire affordability profile. Rather, improvements within the large and complex housing system are likely to be incremental; permanent and effective change will result from a range of strategies and policy initiatives targeted to creating improvements at the margins. To some extent, long-term affordability will also be determined by the way in which the Region enables new housing supply through current and future zoning, infrastructure and transportation decisions.

Taking these factors into consideration, it is recommended that the City:

1. Request senior governments to ensure that current and future Federal, Provincial and Regional policy directions reflect, fund and support the policies set out under this Strategy.
2. Continue to work with GVRD and Greater Vancouver Housing Corporation (GVHC) staff and other levels of government to ensure that they each have clear, stable, ongoing, complementary and effective affordable housing strategies.
3. Monitor and report annually on the City, Federal, Provincial, development industry, and other contributions to the creation of affordable housing. This information would be used as a means of demonstrating the City's commitment to the creation of affordable housing and to secure future support from senior levels of government and stakeholders.
4. Request senior levels of government to provide better ongoing and flexible funding mechanisms which reflect local needs and priorities at key points along the housing continuum. This includes housing for those who are homeless, special needs affordable housing, affordable subsidized rental housing, affordable low end market rental and affordable entry level ownership.

## Policy Area #6 Advocacy

It is also important for the City of Richmond to continue to encourage the Federal government to review existing taxation policies as a means of removing barriers and stimulating new rental housing construction. The recent announcement by the Premier at the Union of BC Municipalities (UBCM) that the shelter component of the Province's income assistance policy will be increased to reflect market conditions will require monitoring to ensure that the increase reflects the realities of those in need of this form of assistance.

Taking this into consideration, it is recommended that the City:

1. Put forward a resolution requesting that the Union of British Columbia Municipalities (UBCM) and the Federation of Canadian Municipalities (FCM) request changes to federal and provincial tax policies, to encourage new affordable rental housing construction.

City of Richmond Action  
Implementation Timeframe and  
Key Milestones



Achieving the specific goals of this Strategy requires the commitment and collaborative efforts of many individuals and groups across the City of Richmond as well as across other levels of government. The over-riding objective is to ensure that all citizens in the City of Richmond have access to one of life's basic necessities.

In implementing this Strategy, the City of Richmond is committed to working with key partners to respond to growth and change through *leadership, innovation and flexibility*. The City is also committed to ensuring that the strategies adopted promote health, stability, inclusion and security of tenure for all residents.

**Policy Area #1**

**An Articulated Commitment to Working to Respond to Issues Related to Housing Affordability in the City of Richmond**

Major Strategies and Actions	Estimated Target Date
Adopt the policies, directions, priorities, definitions and initial targets set out in this Strategy	Council adoption May 28, 2007
Hire a temporary FTE to implement the Strategy	Start date August 1, 2007
Review and monitor results of this Strategy and prepare annual work program	Staff report by December 31, 2007
Incorporate directions from this Strategy into the OCP and Area Plans	OCP & CCAP by December 31, 2007  Other Area Plans as they are updated
Work with the GVRD and others regarding affordable housing issues	Ongoing



## Policy Area #2

### The Use of Regulatory Tools and Approaches to Facilitate the Creation of New Affordable Housing Units

Major Strategies and Actions	Estimated Target Date
Approve an inclusionary zoning/density bonusing approach to help meet the City's targets for affordable subsidized rental housing	Starting July 1, 2007
Approve an inclusionary zoning/density bonusing approach to help meet the City's targets for affordable low end market rental housing	Starting July 1, 2007
Determine if the ownership of the affordable low end market rental units are owned and managed by the City, developer or a third party	Ongoing after July 1, 2007
Adopt a Secondary Suite Policy	Council adoption June 18, 2007

## Policy Area 3-

### Preserve and Maintain the Existing Rental Housing Stock

Major Strategies and Actions	Estimated Target Date
OCP policy encouraging 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family mixed use developments	Council adoption June 18, 2007
Establish a process to monitor and report on the loss of the existing rental housing stock	Staff report by December 31, 2007
Re-examine Residential Policy 5012 with regard to strata title conversion of multi-family residential developments	Staff report by December 31, 2007

## Policy Area 4-

### Incentives to Stimulate the Creation of New Affordable Housing in Partnership with the Housing Supply Sector and Other Levels of Government

Major Strategies and Actions	Estimated Target Date
Expedite rezoning and development permit applications involving 100% affordable subsidized rental housing	Council adoption June 18, 2007
Waive or reduce the DCCs for developments for not for profit rental housing, including supportive living housing	Starting July 1, 2007
Ask the Province to amend the <i>Local Government Act</i> to include affordable housing as a DCC item	Request to GVRD by July 1, 2007
Review other incentives such as density bonus provisions, exempting affordable housing from FAR calculations, parking relaxations, etc.	Ongoing after July 1, 2007

**Policy Area 5-  
Build Community Capacity Through Targeted Strategies as well as  
Through Partnerships Brokered in the Community**

Major Strategies and Actions	Estimated Target Date
Preparation of Universal Housing Guidelines	Ongoing as separate exercise.
Request for Proposal (RFP) for affordable housing using the Affordable Housing Reserve Fund	Ongoing after August 1, 2007
Establish a new Affordable Housing Operating Reserve Fund	Council adoption June 11, 2007
Resolution to clarify the use of the existing Affordable Housing Reserve Fund	Council motion May 28, 2007
Regular meetings with key Federal and Provincial ministries and agencies as well as other housing partners	Ongoing after August 1, 2007
Examine the cost and implications of a City of Richmond affordable housing registry	Staff report by June 1, 2008
Develop a strategic land acquisition program for affordable housing	Staff report by October 1, 2007
RFP for affordable housing proposals for 8111 Granville Avenue/8080 Anderson Rd and 5491 No. 2 Road	Closing date July 31, 2007

**Policy Area 6  
Advocacy Aimed at Improving the Policy Framework and Funding  
Resources Available for Responding to Local Housing Needs**

Major Strategies and Actions	Estimated Target Date
Ensure that current and future Federal, Provincial and Regional policy directions reflect, fund and support this Strategy	On-going
Work with the GVRD, GVHC and other levels of government to ensure that each have clear, ongoing, complementary and effective affordable housing strategies	Ongoing
Monitor and report annually on the City, Federal, Provincial, development industry and other contributions to the creation of affordable housing	On-going
Put forward a resolution to the UBCM and FCM advocating for changes to Federal tax policy to encourage new affordable rental housing construction	Staff report by June 30, 2007