



City of Richmond

Report to Committee

To: General Purposes Committee

Date: October 28, 2024

From: Peter Russell
Director, Housing Office

File: 08-4057-05/2023-Vol 01

Re: **Establishing a Housing Priorities Grant Program**

Staff Recommendations

1. That the proposed framework for a Housing Priorities Grant Program, as outlined in the report titled "Establishing a Housing Priorities Grant Program," dated October 28, 2024, from the Director, Housing Office, be approved; and
2. That staff bring forward eligible applications received through the Housing Priorities Grant Program for Council consideration.

Peter Russell
Director, Housing Office
(604-276-4130)

Att. 4

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF DEPUTY CAO
Finance	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Policy Planning	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report

Origin

On January 22, 2024, the City announced a three-year partnership with the federal government to add 1,022 homes by utilizing \$35.9 million in committed funding through Canada Mortgage and Housing Corporation's (CMHC) Housing Accelerator Fund (HAF). Attachment 1 includes a list of projects put forward by the City that were subsequently approved by the CMHC. Per the HAF agreement, eligible projects must incur costs and utilize funding by December 2027.

One of the initiatives identified by the City was to develop a one-time Housing Priorities Grant Program (the Grant Program) using the HAF funding. The Grant Program is intended to help address financial barriers that limit the delivery of affordable housing. It is proposed that \$10 million in funding be allocated for the program with a target of accelerating the development of 220 affordable rental homes. HAF funding to the City is tied to two key milestones, the first is Council approving a Grant Program design by November 30, 2024 and the second is that the Grant Program is launched by June 28, 2025.

This report supports Council's Strategic Plan 2022–2026 Focus Area #2 Strategic and Sustainable Community Growth:

Strategic and sustainable growth that supports long-term community needs and a well-planned and prosperous city.

2.2 Develop and implement innovative and proactive solutions that encourage a range of housing options and prioritize affordability.

This report supports Council's Strategic Plan 2022–2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.4 Work with all levels of governments for grant and funding opportunities.

This report supports Council's Strategic Plan 2022–2026 Focus Area #6 A Vibrant, Resilient and Active Community:

Vibrant, resilient and active communities supported by a wide variety of opportunities to get involved, build relationships and access resources.

6.4 Support vulnerable populations through collaborative and sustainable programs and services.

This report supports the implementation of Richmond's Housing Accelerator Fund Contribution Agreement with CMHC, specifically Initiative 2, developing a Housing Priorities Grant Program.

Analysis

Through its Affordable Housing Strategy (the Strategy), the City has identified affordable rental housing as a key housing type and tenure needed to support households that may not otherwise be served by the private market. Priority groups, as identified in the Strategy, include families, seniors, persons with disabilities, Indigenous peoples, persons experiencing homelessness, women and women with children fleeing violence, and individuals with mental health and addiction challenges. The Strategy also recognizes the importance of building the capacity of partners, particularly non-profit organizations (NPOs) and Cooperatives, to support the delivery of affordable housing. NPOs bring community-focused mandates and expertise in operating affordable housing, with some growing commercial capabilities as housing developers. Furthermore, NPOs and Cooperatives typically receive some form of financial assistance from other levels of government to enable the delivery of housing at below-market rents.

Proposed Funding Streams

Staff propose two main funding streams for the allocation of HAF funding, outlined below. Affordable rental housing has rents, or in the case of housing cooperatives “housing charges”, that generally do not exceed the maximums established within the City’s Low-End Market Rental (LEMR) program or, where BC Housing’s Household Income Limits (HILs) are used, housing for which annual rents do not exceed 30 per cent of the HIL. All eligible applications will be brought forward for Council consideration.

1. **NPO and Cooperative Grant Funding:** Provision of grant funding to NPOs and Cooperatives to offset Development Cost Charges (DCCs) and other costs to develop affordable rental housing.
2. **For-Profit Homebuilder Funding for Additional LEMR Homes:** DCC offsets provided to for-profit home builders who deliver voluntary affordable rental housing above existing policy targets or zoning requirements.

A high-level overview of the Grant Program is included in Attachment 2.

Staff recommend a phased approach for the Grant Program. The Program will begin with an initial funding call in early 2025 and may be followed by a second call later in the year. Depending on the uptake, the eligibility criteria may be amended prior to any subsequent call to maximize funding expenditure. Staff will assess each application and provide funding recommendations for Council consideration. Assessment of NPO and Cooperative Grant Funding applications will be guided by the criteria in Attachment 3.

Funding Stream 1: NPO and Cooperative Grant Funding

An Eligible Project for grant funding has to have a registered NPO or Cooperative as specified by the *Cooperative Association Act* as the applicant and owner of any affordable rental housing. Equity or Homeownership Cooperatives are excluded as this organizational structure allows private ownership. The proposal must increase NPO or Cooperative ownership of affordable rental housing. Eligible projects must incur costs that are payable before December 2027.

The proposed grants stream has been scoped to support Eligible Projects by way of two funding options:

Grant Funding 1A - City development fee grants for build-ready projects.

Grant Funding 1B- Feasibility funding

Grant Funding 1A- City development fee grants for build-ready projects

The first funding option is geared towards covering the cost of City fees tied to an Eligible Project. An Eligible Project for this grant funding stream must be tied to a development application for which conditional approval has been granted (i.e. third reading of a rezoning bylaw) and/or a development permit issued.

Eligible Fees are fees typically paid by the applicant to the City, including City development application fees, City DCCs, building permit fees, and related permitting costs payable to the City of Richmond. Ineligible fees include site servicing costs, security deposits and third-party charges, including School Site Acquisition Charges, Metro Vancouver Water and Sanitary Sewer DCCs, and TransLink DCCs. Third-party charges may be excluded where there are existing waiver options in place, subject to the terms established by those third parties.

Eligible Fees are those applicable to the entire project and are not limited to the proportion of fees that might be exclusively attributed to affordable homes. This approach will provide more certainty to NPOs and lessen the complexity of administering the allocation of funds to an Eligible Project.

Grant amount

Staff propose limiting the total grant to the lower of \$40,000 per affordable rental home or the total of all Eligible Fees. The \$40,000 per affordable rental home grant was determined based on:

- The expected cost to cover the minimum DCCs on a three-bedroom LEMR home, which at 980 square feet are currently \$35,074;
- Alignment with other grant and DCC waiver programs in municipalities in the Lower Mainland which were found to allocate between \$2,000 and \$50,000 in funding per affordable rental home (Attachment 4); and
- Alignment with the City's recent contributions to affordable housing projects from the Affordable Housing Reserve, including:
 - 80-home development at 5491 No. 2 Road for which the City contributed \$2.2 million, or \$27,500 per home, from its Affordable Housing Reserve; and
 - 25-home development at 4831 Steveston Highway for which the City contributed \$850,000, or \$34,000 per home, from its Affordable Housing Reserve.

Grant Funding 1B - Feasibility Funding

The second funding option focuses on feasibility funding which offsets the costs of project conceptualization and technical due diligence necessary to advance development approvals and permitting. At this early stage of development, the feasibility of a project may be unknown. Accordingly, the risk associated with moving a project forward remains higher than the stage at which a proposal receives conditional or full development approval from the City.

Access to the funding would be limited to projects that have already secured feasibility-related funding from other sources, including, for example, BC Housing, the Canada Mortgage and Housing Corporation (CMHC), or private lending agencies. The modest top-up funding would lessen the amount of equity required for the NPO or Cooperative.

Top-up funding also provides a mechanism for early engagement between the City and NPO or Cooperative, allowing for project refinement in advance of spending more money on detailed project design. The early project review by the City may also allow the review of a subsequent submission to be streamlined, thereby accelerating the approvals process. Finally, the funding stream has the potential to facilitate the building of partnerships with local NPOs and Cooperatives, which supports another HAF-related funding initiative currently under development.

Grant amount

Staff propose one-time grants of up to \$50,000 per development. The grant amount was set to be substantial enough to support project development activities while limiting the risk that the funding goes towards a project that does not materialize in the delivery of affordable housing. A \$50,000 grant represents an estimated five per cent of the cost of progressing a 100-150 home project from conceptual design to planning approval.

Funding Stream 2: For-Profit Homebuilder Funding for Additional LEMR Homes

This stream will target for-profit housing providers as they are not eligible for grants. An Eligible Project for a DCC offset has to have a business or other for-profit entity not eligible for grant funding as the applicant and involve the voluntary construction of new affordable rental housing. Eligible projects must be tied to a development application for which conditional approval has been granted and/or a development permit issued and incur DCCs that will be offset before December 2027. Voluntary affordable housing is affordable housing delivered in excess of any existing affordable housing delivery targets or requirements set out in the Official Community Plan, Affordable Housing Strategy, Zoning Bylaw and applicable Area Plans.

DCC offsets will be implemented through project-specific DCC bylaws. The DCC bylaw would be presented in a Council report concurrent with a report presenting the Housing Agreement Bylaw ultimately used to secure the affordable rental housing. The financial impact of the DCC offset will be mitigated by internal transfers to a newly established Reserve Fund, utilizing HAF funding. The Reserve Fund will be used for capital costs otherwise supported through DCC funds. Staff will seek to establish the necessary Reserve Fund for internal transfers once an applicant seeks a DCC Offset.

Staff anticipate that the uptake of DCC offsets may be limited in strata developments, as modelling suggests the financial benefits are insufficient to offset the losses incurred from converting a strata home into affordable rental housing. However, staff are aware of some 100 per cent rental candidate projects and consider there is value in piloting the funding to test market interest and can expand eligibility criteria if interest is low.

Grant amount

Staff propose the offset be limited to a maximum of 75 per cent of the City DCCs applicable to the total floor area of any voluntary affordable rental homes secured through a housing agreement.

Grant Program Launch

Should Council approve the Grant Program as outlined, staff propose a launch date of January 27, 2025, supported by promotion via social media, the City’s website, and direct outreach to the development community, NPOs and Cooperatives. The application process will provide opportunities for applicants to advise on any additional funding needs beyond the scope of the Grant Program that would support affordable housing delivery. One potential avenue for expanding the Grants Program is to assist NPOs in acquiring new affordable rental housing from the private market, as well as converting new market rental or strata housing into affordable rental housing.

Staff will update Council six months, or sooner, after the launch, detailing both the demand for the grants and any feedback on additional funding needs. This report will highlight any necessary adjustments to ensure that the grant funds are fully utilized and that the grants are sufficiently supportive to foster development activity.

The results of this Grants Program, considering the interest it generates and ultimately the number of additional affordable rental homes it brings to market, will be used to inform a future review of the City’s DCC Bylaw and any related consideration of DCC waivers, incentives or reductions for affordable housing developments.

Financial Impact

None. Any financial impact to the City from the provision of grants or DCC offsets will be mitigated by HAF funding received from CMHC.

Conclusion

The proposed Grant Program aligns with the City’s Affordable Housing Strategy by focusing on affordable rental housing and supporting partners, particularly NPOs and Cooperatives, to deliver such housing. Through the multiple funding streams outlined in the report, the City can accelerate build-ready affordable housing projects while enhancing the capacity of NPOs and Cooperatives to generate a pipeline of affordable rental housing options. While this Program is currently limited by its source of federal funding, it presents an exciting opportunity to evaluate the feasibility of implementing similar funding programs to incent affordable housing delivery over the long-term. Each application will come forward to Council for consideration and approval.



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- Att. 1: Housing Accelerator Fund Initiatives Summary
- Att. 2: Summary of Housing Priorities Grant Program
- Att. 3: Guiding Assessment Criteria
- Att. 4: Analysis of Comparable Grant and Development Cost Charges Waiver Programs

Housing Accelerator Fund Initiatives Summary

Initiative 1 - Enhanced Fast Track Program Rental and Affordable Housing

Summary	This initiative establishes an enhanced fast-track program and corresponding staff unit to: <ul style="list-style-type: none"> • Provide expedited rezoning and development permit application review ahead of in-stream applications for new development that provides 100% of the residential use at the site as secured rental housing. • Support the timely advancement of approved non-market housing projects in partnership with senior levels of government and non-profit housing providers on City-owned lands and privately owned lands.
Status	One Planner 2 role has been appointed, and roles for Program Manager and Planner 3 are being advertised. Internal project management procedures are in place to support timely circulation and review of 100% rental applications.

Initiative 2 – Housing Grant Program– The scope of this report.

Initiative 3 – Affordable Housing Non-Profit Partnership Program

Summary	This initiative establishes an Affordable Housing Non-Profit Partnership Program with dedicated staff support. This initiative formalizes existing and new practices for partnership projects into an established program.
Status	A model is being developed for how/where/when the City can build the capacity of NPOs to create successful partnerships, learn about the development process and be better positioned to support the growing network of COOPs, LEMR and/or BC Housing built projects.

Initiative 4 – Rental Tenure & Density Increases - Spires Road Area Pilot

Summary	Under this initiative, Staff will review updates to the City Centre Area Plan for the Spires Road area. The review will determine how to apply the learnings to other neighborhoods in the City Centre Area Plan and/or through the targeted Official Community Plan (OCP) review.
Status	Staff reported back to Council in September 2023 confirming one development application with 100% rental was benefiting from the Spires Road area rental tenure overlay, along with several inquiries. The rental tenure overlay is being considered for other areas in Richmond as part of the ongoing OCP review.

Initiative 5 – Parking Requirement Reduction

Summary This initiative will review parking requirement changes that support housing development.

Status As part of the OCP review, staff will look at:

- Parking maximums
- Deeper reductions for rental housing and/or affordable housing
- Re-purposing of parking structures for affordable housing
- Alignment with other initiatives and policies to increase housing and support sustainable transportation options

Initiative 6 - Targeted OCP Review: Explore Pre-Zoning Options

Summary This initiative explores options for pre-zoning to allow affordable housing projects of a certain scale in all zones as a permitted use and address the “missing middle” through gentle density.

Status A targeted review of the OCP is underway as of June 2022, which involves a deep dive into housing affordability and how to produce more non-market housing. As part of the OCP review, staff will look at opportunities to pre-zone appropriate areas to enable more rental and/or non-market housing.

Initiative 7 - Permitting Optimization Project

Summary The Permitting Optimization Project is a multi-phased initiative aimed at digitizing and enabling customer self-service for all 36 types of development applications and building permits.

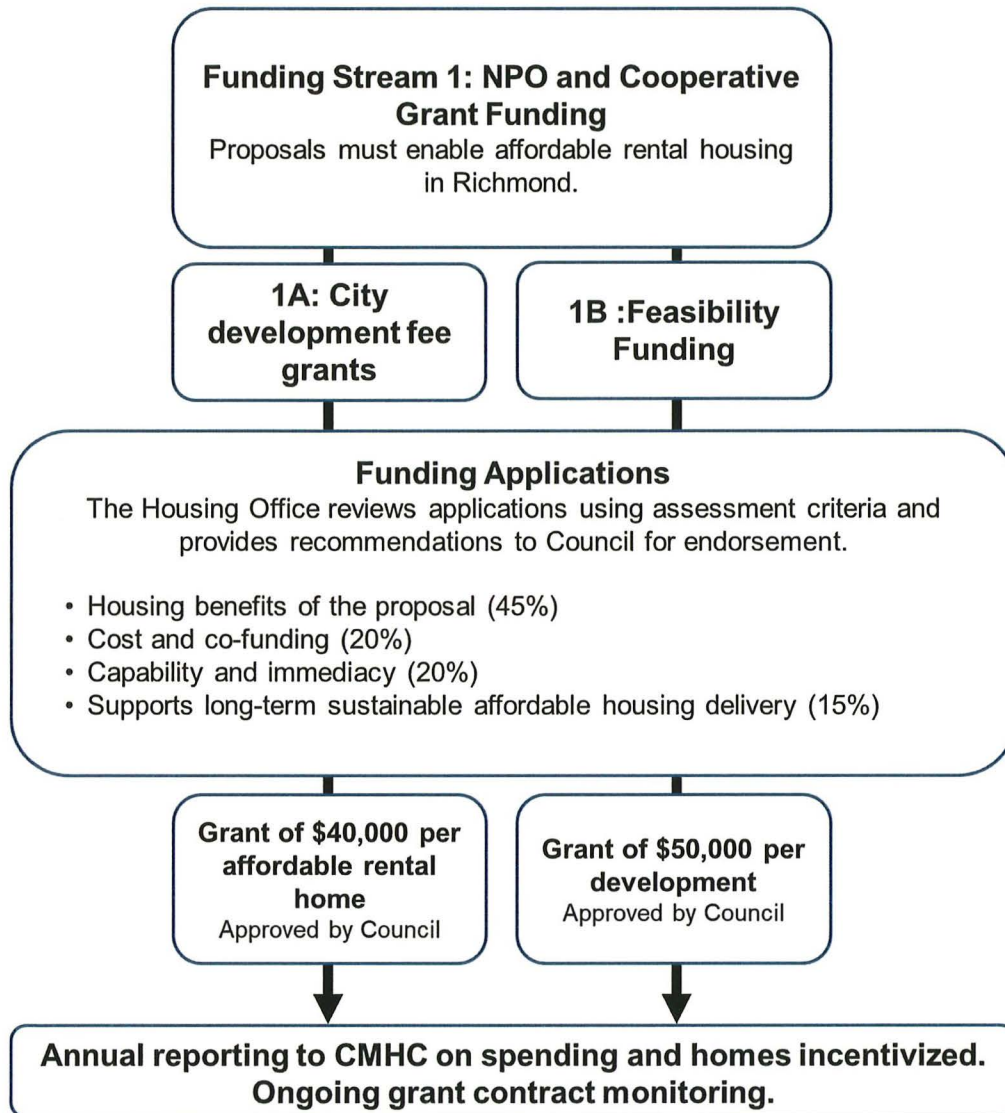
Status The MyPermit online public portal was launched in November 2023. In its first phase, the new portal streamlines the permitting processes for Gas, Plumbing and Sprinkler permit types. Servicing Agreements will be the next addition, completed in December 2024

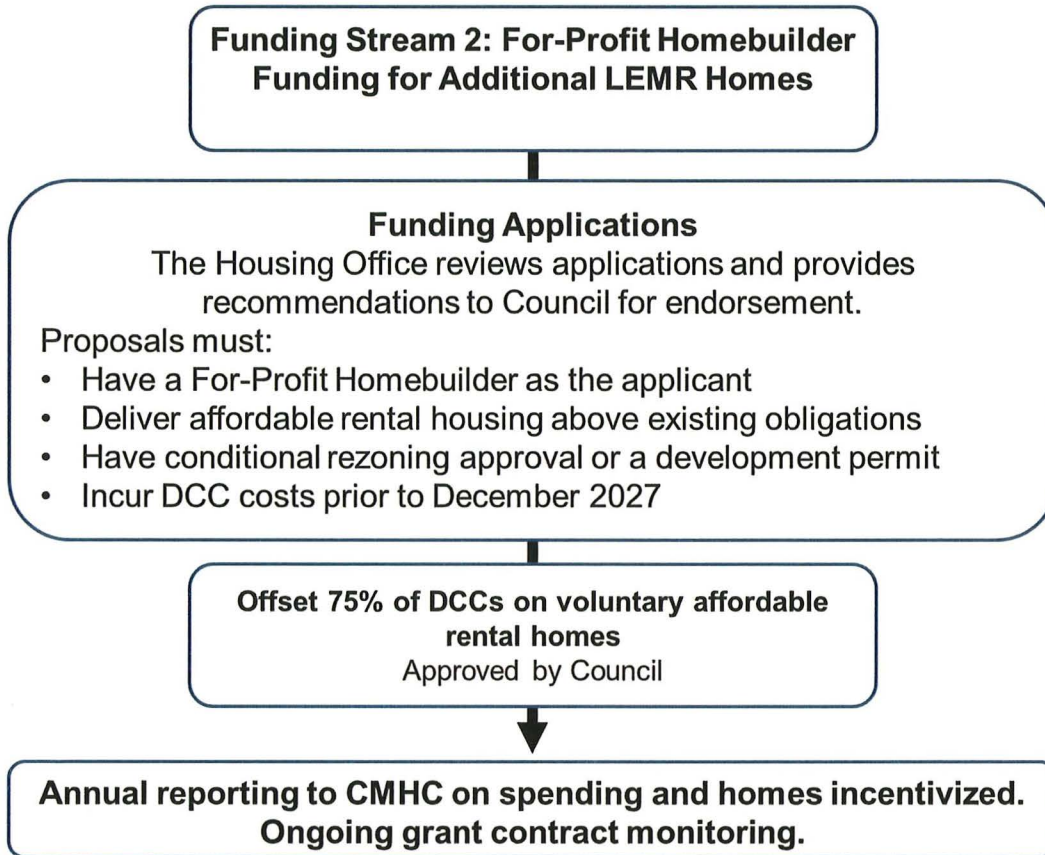
Initiative 8 - Automated Plan Review Project

Summary This initiative involves the development of intelligent software that integrates Artificial Intelligence (AI) and Building Information Modelling (BIM) systems to enable automated plan review, accelerating the processing of development applications and issuance of building approvals.

Status An RFP for the Planning Study has concluded. The work will assist the City to identify the scope of functions and user requirements that will comprise objectives for an Automated Plan Review software platform.

Summary of Housing Priorities Grant Program





Guiding Assessment Criteria

Criteria (weighting)	Components of Criteria
<p>Housing Benefits of the Proposal (45%)</p> <p>Proposal needs to show how they create additional housing for the target cohorts</p>	<ul style="list-style-type: none"> • The number of additional affordable rentals and depth of affordability that the investment will enable relative to demand in that area. • The proportion of affordable houses expected to be enabled relative to specific housing needs of that area (i.e., family friendly 2- to 3-bedroom homes and accessible homes).
<p>Cost and Co-funding (20%)</p> <p>Proposal represents a cost-effective solution</p>	<ul style="list-style-type: none"> • The extent to which the proposal leverages other funding sources to deliver additional housing and provides value for the money. • The impact that this funding will have on the housing development advancing, or on the pace and scale at which it will advance compared to what is currently expected.
<p>Capability and Immediacy (20%)</p> <p>Proposal provides assurance that if funding is approved, the project will advance at pace</p>	<ul style="list-style-type: none"> • Confidence in the ability of all parties to deliver the housing as proposed and at pace. • Demonstrated alignment where relevant between all necessary parties including provincial government, development partners and affected persons needed to advance the proposal.
<p>Supports Long-term Sustainable Affordable Housing Delivery (15%)</p> <p>Proposal supports long-term housing outcomes for Richmond</p>	<ul style="list-style-type: none"> • The extent to which the proposal addresses recycling or reinvestment of funding for future housing needs. • The extent to which the delivery model enables local leadership, collaboration or use of prudent commercial partnerships to deliver projects. • The extent to which the proposal enables wider well-being outcomes (eg., job creation, utilization of Indigenous enterprises, climate change adaptation, design for community, etc.)

Analysis of Comparable Grant and Development Cost Charges (DCC) Waiver Programs

Other Local Municipalities Grant Programs

Coquitlam		Vancouver		North Vancouver		Richmond (Proposed)	
Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit	Lower Limit	Upper Limit
\$10,000	\$50,000	\$25,000	\$38,000-	-	\$10,000	-	\$ 40,000
Any development increasing AH solutions		NPOs & Cooperatives constructing AH on their own land		Non-capital related projects by NPOs that support the City's AH objectives		NPOs delivering AH	

AH = Affordable Rental Housing

Other Local Municipalities DCC Waiver Programs*

	Port Moody	City of North Vancouver	Delta	Langley Township	Vancouver	Richmond (proposed)
Policy Settings	50% waiver for NPO-delivered AH or 25% for for-profit AH	Waiver for NPO rental housing	Waiver for NPO dev. with 30% AH	Waiver for NPO dev. with 30% AH	Waiver for for-profit 100% rental dev. with 20% AH	75% DCC offsets for for-profit voluntary AH
Studio (400 ft²)	\$4,921	\$2,310	\$9,822	\$38,934	\$14,184	\$14,316
1 Bdrm (535 ft²)	\$6,581	\$3,090	\$9,822	\$38,934	\$18,971	\$19,148
2 Bdrm (741 ft²)	\$9,115	\$4,280	\$9,822	\$38,934	\$26,276	\$26,520
3 Bdrm (980 ft²)	\$12,055	\$5,660	\$9,822	\$38,934	\$34,751	\$35,074

* Estimated DCC costs using Low-End Market Rental minimum sizes. Note that the proposed Richmond DCC offset is exclusive to for-profit projects, as NPO projects are covered by grants rather than DCC offsets.

Feasibility Funding Programs

	VanCity	BC Housing	CMHC	Richmond (Proposed)
Funding	Grants of up to \$50,000 plus loans, average being \$500,000	\$250,000 starting loan, plus up to \$2 million in construction financing	Up to \$150,000 grant and \$350,000 as an interest-free loan	\$50,000 grant