



City of Richmond

Report to Committee


To: Planning Committee
From: Terry Crowe
Manager, Policy Planning

Date: November 10, 2006
File: 08-4057-05/2006-Vol 01

Re: Draft Affordable Housing Strategy

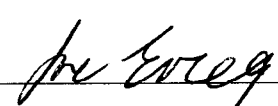
Staff Recommendation

1. That the draft Affordable Housing Strategy dated November 1, 2006 and the staff report from the Manager, Policy Planning dated November 10, 2006 be referred to stakeholders and the general public for input;
2. That staff and the consultants prepare a final Strategy, which would include an implementation program, for consideration in January 2007; and
3. That the Affordable Housing Reserve Fund be amended as recommended in the draft Affordable Housing Strategy, so that the process of hiring an additional staff person in the Lands Section of the Business and Financial Services Department can be started as soon as possible.



Terry Crowe
Manager, Policy Planning
(4139)

Att. 2

| FOR ORIGINATING DEPARTMENT USE ONLY | | | |
|-------------------------------------|---|-----------------------------|--|
| ROUTED TO: | CONCURRENCE | | CONCURRENCE OF GENERAL MANAGER |
| Land Management..... | Y <input checked="" type="checkbox"/> | N <input type="checkbox"/> |  |
| Budgets | Y <input checked="" type="checkbox"/> | N <input type="checkbox"/> | |
| Law | Y <input checked="" type="checkbox"/> | N <input type="checkbox"/> | |
| Building Approvals | Y <input checked="" type="checkbox"/> | N <input type="checkbox"/> | |
| Development Applications | Y <input checked="" type="checkbox"/> | N <input type="checkbox"/> | |
| REVIEWED BY TAG | YES <input checked="" type="checkbox"/> | NO <input type="checkbox"/> | REVIEWED BY CAO |
| | | | YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> |

Staff Report

Origin

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 this project.

On July 24, 2006, Council approved an Interim Strategy and Report to manage in-stream development applications until the final Affordable Housing Strategy is approved.

McClanaghan & Associates has now prepared the first draft of the Affordable Housing Strategy.

In doing so, their work has been coordinated with the preparation of the City-Wide Interim Amenity Contribution Policy that staff and G.P. Rollo & Associates Ltd. have undertaken.

Attachment 1 provides an overview of how the draft Affordable Housing Strategy and proposed City-Wide Interim Amenity Contribution Policy would work together.

The intent is to:

- refer the draft Affordable Housing Strategy to the various stakeholders listed on **Attachment 2** and the public for input;
- refer the proposed City-Wide Interim Amenity Contribution Policy to the Urban Development Institute (UDI) and Greater Vancouver Home Builders Association (GVHBA) for input; and
- report the feedback received and bring forward the final Affordable Housing Strategy and City-Wide Interim Amenity Contribution Policy in January 2007.

A copy of the Summary of Recommendations from the draft Affordable Housing Strategy is included as **Attachment 3**. A full copy of the draft Strategy report is **Attachment 4**.

Findings Of Fact

Based on Council and public feedback, the consultant and staff have taken a very pro-active approach to provide affordable housing in Richmond, recognizing that to successfully address this need, partnerships are required and that there are a variety of solutions which take time to be successful.

Principles

It is suggested that the Affordable Housing Strategy be based on the following Principles:

- Partnerships
- Balance:
 - Public and Private Interests
 - Certainty and Flexibility
- Effectiveness
- Financial Viability

Key Recommendations:

Some of the key recommendations from the draft Affordable Housing Strategy and proposed City-Wide Interim Amenity Contribution Policy, which are to be considered at the same Planning Committee and Council meetings, include:

Definition and Priorities:

- That the City's definition and priorities for affordable housing be:
 - 1) subsidized housing for households with an annual income of \$20,000 or less; (using City lands, the Affordable Housing Reserve Fund 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);
 - 3) entry level ownership for households with an annual income of \$60,000 or less. (provided by the development community at their own cost and not at the expense of subsidized housing or low end market rental units);

Additional Staff:

- Hire a full time employee in the Lands Section of the Business and Financial Services Department to implement the Affordable Housing Strategy (and administer the proformas required under the proposed City-Wide Interim Amenity Contribution Policy);

Subsidized Housing:

- To address the need for subsidized housing, the City will:
 - a) accept the following cash-in-lieu contributions from rezoning applications:
 - o townhouses involving 19 units or less would pay \$2.00 per buildable square foot for affordable housing;
 - o townhouses involving 20 or more units would go through a proforma analysis and contribute 50% of the "land lift" to the City (which would go to affordable housing, except if the amenity contribution is over \$2.60 per buildable square foot, then \$0.60 could go to child care);
 - o low rise apartments and high rise developments where the proforma and amenity contribution does not result in a minimum of 4 affordable housing units (e.g., is less than \$4.00 per buildable square foot); and
 - o a minimum cash-in-lieu contribution of \$2.00 per buildable square foot is recommended by staff.
 - b) utilize the monies collected in the Affordable Housing Reserve Fund:
 - o for staff;
 - o to acquire land;
 - o to partner with other levels of government and/or non-profit organizations to build affordable subsidized housing projects; and
 - o for studies (e.g., research, analysis, consultants).
 - c) determine incentives such as the reduction of Development Cost Charges, relaxation of parking requirements, etc. for supportive living housing.

Low End Market Rental:

- To address the need for low end market rental housing, the City will:
 - a) require that at least 50% of new single-family residential dwelling units that occur through rezonings include either a coach house or legal secondary suite or be a fully adaptable/universally accessible flex house;
 - b) require four storey, low rise apartments and high rise developments to provide the City with a minimum of 4 affordable housing units (the actual number of units will be determined using a proforma, which would take 50% of the “land lift” from rezoning the site); and
 - c) determine incentives such as the reduction of Development Cost Charges, relaxation of parking requirements, etc. for non-profit rental housing.

Entry Level Ownership:

- To address the need for affordable entry level ownership housing, the City will:
 - a) encourage the construction of smaller apartment units where a sufficient number of low end market rental units have been provided; and
 - b) encourage innovative new housing forms and financing schemes which are affordable to households with an annual income of \$60,000 or less.

The rationale for these and all of the other recommendations is included in **Attachment 4** (and are not repeated here for brevity).

AnalysisConstruction vs. Contributions:

Staff and the consultants spent a considerable amount of time examining how to actually get affordable housing units built.

Through this analysis, it was found that:

- It is unrealistic (e.g., financially) to set an affordable housing target and to require all developments to meet that target (e.g., that 20% of all new multiple-family dwelling units should be affordable);
- No other Lower Mainland municipality requires all developments to include affordable housing units (i.e., the cash-in-lieu option is much more frequently used);
- Cash-in-lieu is easier to administer, and the more money collected – the greater the 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 are the most expensive to build and manage (and are best located on separate sites with financial assistance coming from governments or non-profit organizations);
- The administration of 1 or 2 affordable housing units scattered all around the municipality require special attention as they are difficult to manage (a minimum of 4 units in a development is necessary to make it manageable);

- Most of the townhouse developments in Richmond are of a smaller nature (19 units or less), and even the larger townhouse projects would probably only be able to economically provide 2 or 3 affordable townhouse units;
- It would appear that the City's best opportunity for getting a minimum of 4 affordable housing units is in a four storey, low rise apartment or high rise development (based on a proforma analysis);
- The expectation is that the proforma from a four storey, low rise apartment or high rise development will probably need to generate an amenity contribution of at least \$4.00 per buildable square foot in order to get a minimum of 4 affordable housing units built;
- Where a minimum of 4 affordable housing units are built by developers, these will be owned by the City and managed as rental units by a non-profit organization or management company (they will not be entry level ownership units because there is a more critical need for affordable rental housing in Richmond);
- If the City rents these units out at 85% to 90% of the market rent, they will be affordable to households with annual incomes between \$30,000 to \$37,700 (households with annual incomes of between \$20,000 to \$30,000 will require deeper subsidies in order to be able to afford these rental units);
- The median price of new condo units is 1.5 to 2.4 times more expensive than a household having an annual income of \$40,000 to \$60,000 can afford to buy (i.e., small entry level ownership units does not = affordable units); and
- Flexibility and further work is required to determine how new four storey, low rise apartments and high rise developments will build the 4 or more affordable housing units.

Consultation Process:

In preparing the Interim Strategy and Report (that was approved by Council in July 2006), consultation took place through two stakeholder meetings and a public open house at City Hall. A total of 30 participants attended the stakeholder meetings, including community members, community service organizations, non-profit housing sector representatives and developers.

In August 2006, the consultants and staff met with two smaller focus groups – one involving the housing supply sector, the second involving government and housing partners. The purpose of these meetings was to try to find practical ways of delivering affordable housing in Richmond.

Over the past two months, a considerable amount of time has been spent examining the different options of actually getting affordable housing units built. Specifically, staff and the consultant wanted to develop some concrete recommendations to take back to the larger group of stakeholders and public for input.

However, prior to this final round of public consultation, the draft Affordable Housing Strategy has to be considered by Planning Committee and Council. Assuming Council feels the draft Strategy is going in the right direction, it is proposed that:

- The draft Strategy be circulated to the stakeholders;
- One or two meetings be held with the stakeholders;

- The draft Strategy be posted on the City's website and on-line feedback be invited by December 14, 2005;
- Advertisements be placed in both local newspapers seeking public input;
- A public open house be held at City Hall and one other community location; and
- The secondary suite public consultation process be undertaken at the same time as the draft Affordable Housing Strategy.

All of the feedback from the stakeholders and public would be reported to Planning Committee and Council in January 2007, and help form the basis for the final Affordable Housing Strategy.

It should be noted that the Richmond Community Services Advisory Committee (RCSAC) has suggested that open houses be held at community locations (e.g., malls, community centres, Caring Place, etc.) in addition to City Hall. This level of consultation was not initially considered in the \$60,000 budget or consultant's contract and would make it difficult to complete the Affordable Housing Strategy by January 2007. However, an Open House will be held in one additional community location (e.g., Richmond Centre Mall).

Summary Of Comprehensiveness Of Proposed Policy:

The chart below identifies:

- the 10 generic components that are required to provide affordable housing, in an ongoing, sustainable manner; and
- which components the proposed Richmond Affordable Housing Strategy addresses.

As no one partner is expected to provide or undertake all 10 components, the chart shows how:

- comprehensive Richmond's proposed Strategy is; and
- how partners can assist in meeting the remaining needs.

| Overview | | |
|--|-------------------------|--|
| Proposed Richmond Affordable Housing Strategy | | |
| Essential Affordable Housing Components | City Involvement | Examples/Comments |
| 1. Land Acquisition | YES | City will acquire land |
| 2. Construction Of Units | NO | Developer or non-profits will build units City will require 1:1 replacement of existing rentals |
| 3. Maintenance of Rental Units | NO | Developer or landlord |
| 4. Leasing Land/Renting Units | YES | City through management companies or non-profits |
| 5. Subsidizing Rents | NO | Senior governments to do |
| 6. Support Services | NO | Health and other governments' responsibility |
| 7. Research | YES | As needed |
| 8. Supportive Policies & Regulations | YES | OCP, Implementation Strategies; Zoning Bylaw |
| 9. Financial Incentives | YES | Density bonusing, flat rates, proformas |
| 10. Other, as necessary | TBD | Partnerships with GVRD, governments, developers |

Financial Impact

There is no immediate cost regarding the draft Strategy. However, the hiring of one necessary full time employee in the Lands Section would cost approximately \$100,000 for salary and benefits. It is proposed that this position be funded from the Affordable Housing Reserve Fund. This will require an amendment to the purpose of the existing Fund to allow capital, studies, legal costs, consultants and staff to be funded from the Reserve. The only other alternative is to

add this position as a one-time additional level request (the 2007 additional level requests are already being considered).

Conclusion

Staff recommend that the draft Affordable Housing Strategy be referred to the stakeholders and the general public for input into the final Affordable Housing Strategy.



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LS:cas



Lesley Sherlock
Social Planner
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| Overview City Staff's Proposed Draft City-Wide Interim Amenity Contribution Policy | | | | | | |
|---|---------------------------------------|--|--|---|--|---|
| Type of Rezoning | Proposed Method Of Calculating "Lift" | | Result | | | |
| | Flat Rate | Proforma | Cash | Affordable Housing (AH) | Built | Child Care |
| Single Family | - Assume: \$0.60/BSF - Not used | No | None | - AH Market Rental - 2 nd suite - Coach House - Ownership: Flexhouse | None | None |
| Townhouse: | | | | | | |
| - Less than 19 units | \$2.00/BSF | No | \$2.00/BSF for: - Affordable Housing - Subsidized AH rental - Other | Not practical | None | None |
| - 20 + units | No | Required - The amount paid is negotiable but not less than \$2.00/BSF | Minimum of \$2.00/BSF for: - Affordable Housing - Subsidized AH rental - Other Note: If get \$2.60/BSF or more, \$0.60/BSF goes to child care | - Build only in very large projects where a minimum of 4 affordable townhouse rental units are provided to the City | If get \$2.60/BSF or more, \$0.60/BSF goes to child care | Build only in very large projects and where appropriate |
| Apartments | Flat Rate | Proforma | Cash | Built | Cash | Built |
| | No | - Required - The amount paid is negotiable but not less than \$2.00/BSF Note: At this time, it is assumed that \$4.00/BSF take cash, if less than \$4.00/BSF take cash, if more than \$4.00/BSF build affordable apartment rental units and possibly child care facilities | - Note: At this time, it is assumed that \$4.00/BSF or less will be collected. - Cash taken only where a minimum of 4 affordable apartment rental units cannot be achieved Minimum of \$2.00/BSF for: - Affordable Housing - Subsidized AH rental - Other Note: If get \$2.60/BSF or more, \$0.60/BSF goes to child care | Note: At this time, it is assumed that \$4.00/BSF or more will be required to build units Where it occurs, a minimum of 4 affordable apartment rental units will be built. | If get \$2.60/BSF or more, \$0.60/BSF goes to child care | Build only in very large projects and where appropriate |

The determination as to whether contributions are to be cash or built is determined by the City.

Richmond Affordable Housing Strategy Stakeholders

Army Navy Air Force Unit 284 (Steveston)
BC Housing
BC Non-Profit Housing Association
Canada Mortgage and Housing Corporation
Canadian Federation of University Women – Richmond
Canadian Low Income Seniors Affordable Housing Society
Chinese Mental Wellness Association of Canada
Canadian Mental Health Association/Pathways Clubhouse
Community Health Advisory Committee (Richmond Health Services)
Co-operative Housing Federation of Canada
Dovertel Construction
Greater Vancouver Home Builders' Association
Greater Vancouver Housing Corporation
GVRD Staff (Affordable Housing)
Habitat for Humanity Society
Katherine Sanford Housing Society
Ministry of Employment and Income Assistance
Ministry of Forests and Range
Multiple Sclerosis Society of Canada
Richmond Children First, Ministry of Children and Family Development
Richmond Committee on Disability
Richmond Community Services Advisory Committee
Richmond Consumer & Family Advisory Committee
Richmond Mental Health Consumers and Friends Society
Richmond Poverty Response Committee
Richmond Rehabilitation and Housing Committee
Richmond Seniors Advisory Committee
Richmond Society for Community Living
Richmond Women's Resource Centre
Royal Canadian Legion
Salvation Army
Seniors Affordable Housing Coalition
Service Canada (Homelessness Program)
SUCCESS
Urban Development Institute
Vancouver Coastal Health Authority
Other Community Members/Stakeholders: Burnie Araneta, Carol Day, Doug Purdy

Summary of Recommendations

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

Policy Area #1

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

1. City Council adopt the recommended policies and directions set out in this report.
2. The Lands Section of the City's Business and Financial Services Department hire a full time employee to assist in the implementation of this Strategy with funding for this position being provided through contributions to the Affordable Housing Reserve Fund.
3. A work program be prepared annually by staff of the Lands Section for presentation to City Council implementing the Affordable Housing Strategy.
4. The results from the Strategy be monitored and reported annually to demonstrate to senior levels of government and other housing partners that the City is committed to the on-going creation of affordable housing.
5. The Official Community Plan (OCP) and Area Plans for the City, starting with the update of the City Centre Area Plan currently underway incorporate the directions set out under this Strategy once it has been adopted by City Council.
6. City staff continue to work with the Greater Vancouver Regional District (GVRD) and other key planning and decision making bodies to ensure that housing affordability issues are recognized and addressed at the Regional, Provincial and national 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 Units

7. Developments with fewer than 20 units including all townhouse developments be required to provide a cash-in-lieu contribution equal to \$2 per square foot.

Summary of Recommendations

8. High-rise or low-rise apartments with 20 units or more would be required to make affordable units available for low end of market rental housing as determined by the project pro forma.
9. The ownership and designation of the units created through this approach would be controlled in perpetuity through a Housing Agreement registered on title with the City retaining strata-title ownership of the rental units.
10. These units will be rented at low end of market rent to eligible households with the responsibility for management and tenant selection being contracted to non-profit housing providers.
11. This approach would apply to all future rezoning applications, effective July 1, 2007.
12. Given the critical priority need for affordable rental housing, entry-level ownership not be considered at this time but may be considered at a future date.
13. Due to the highly innovative nature and to the limited prior use of the inclusionary zoning approach in the BC and Canadian contexts, that the City set aside funding for detailed program design in the event that the City moves forward with this approach.
14. The City exhibit flexibility with initial applicants in order to identify and address implementation issues and to create a practical and workable model.
15. Complete the Secondary Suite Policy which would allow for the legalization of one existing or new secondary suite in any single family dwelling.
16. Adopt an inclusionary zoning approach for single-family residential rezoning applications received after July 1, 2007 to include a coach house unit above the garage, a legal secondary suite, or a fully adaptable/universally accessible flex house in at least 50% of the new dwelling units on properties being rezoned.
17. Amend the Zoning and Development Bylaw to include a density bonus provision for legal secondary suites, adaptable or universally accessible units.

Summary of Recommendations

Policy Area 3-

Preserve and Maintain the Existing Rental Housing Stock

18. A resolution be put forward to the Union of British Columbia Municipalities (UBCM) to request that the Province give greater powers to municipalities, similar to those in the Vancouver Charter, to intervene in landlord and tenant disputes where tenants are living in unhealthy or unsafe conditions.
19. The 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 a policy requiring a 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family developments.
20. That City staff establish a process to monitor and report on the on-going loss of the existing rental housing stock.
21. That the City's commitment to the use of 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 reconfirmed.

Policy Area 4-

Incentives to Stimulate the Creation of New Non-Market or Affordable Rental Housing Units in Partnership with the Housing Supply Sector and Other Levels of Government

22. Rezoning and development permit applications involving 100% subsidized housing be expedited at no additional cost to the applicant.
23. The Development Cost Charge (DCC) Bylaw be reviewed to determine the financial and engineering implications of reducing DCCs for non-profit rental housing and subsidized housing.
24. The Lands Section of the City's Business and Financial Services Department lead a review of other incentives such as reduced taxes, parking relaxations and other possible options to assist in the creation of affordable rental and subsidized housing

Summary of Recommendations

Policy Area 5

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

25. City Council request proposals from groups and agencies in the community that, with funding provided 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 housing units designed to meet the priority needs identified.
26. In responding to the proposal call, proponents would be required to demonstrate experience/expertise in a number of areas including project development, non-profit property management and residential construction and would be required to contribute equity or private capital in order to be considered.
27. The following criteria would be used to evaluate the proposals that are received:
 - a) Alignment with the City's housing 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) Identify key development risks and mitigation strategies; and,
 - e) The management capacity and experience of the proponents in working with special needs/priority groups and/or community partnership arrangements that have been put into place to address these needs.
28. The Affordable Housing Reserve Fund be amended to better clarify that the Fund and other accounts can be used for the purpose of:
 - a) Purchasing and trading property for subsidized and low end market rental housing as defined by the Affordable Housing Strategy;
 - b) Taking an equity position in other's affordable housing projects;
 - c) Entering into negotiating partnerships with other levels of government and/or private agencies; and,
 - d) Paying for staff administering the Affordable Housing Strategy, associated updates and operating costs.

Summary of Recommendations

29. The Affordable Housing Reserve Fund be administered by the Lands Section and be used as leverage for securing funding commitments from senior levels of government and/or private partnerships to support the creation of subsidized housing or low end of market rental housing (not entry-level ownership).
30. Funding from the Affordable Housing Reserve Fund be allocated through a competitive proposal call process annually depending on the availability of funds.
31. Regular meetings be initiated with key Federal and Provincial government ministries/agencies, representatives from the non-profit and co-op housing sectors, the Urban Development Institute (UDI), the Greater Vancouver Home Builders Association (GVHBA) and other key stakeholders to build effective communication and potential partnership opportunities.
32. Lands Section staff examine the cost and implications of:
 - a. The Implementation of a City of Richmond 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.
33. City land be used for subsidized housing and low end market rental housing (not entry level ownership) where funding has or will be obtained from other levels of government and/or private partnerships.
34. The Lands Section develop a strategic land acquisition program for "affordable housing" with funding from the Affordable Housing Reserve Fund.
35. The sale of 8111 Granville Avenue/8080 Anderson Road be deferred pending further discussions with subsidized (including homelessness) housing proponents who are willing to develop the site at its maximum density. Should these discussions not result in a viable affordable housing project, consideration be given to a land transfer for another site in a less costly location or off a main commercial road.

Summary of Recommendations

Policy Area 6

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

36. Ensure that current and future Provincial and Regional policy directions reflect and support the policies set out under this Strategy.
37. Continue to work with Regional staff and other levels of government to ensure that there is a clear strategy in place to support local growth and change and to ensure that all levels of government continue to play an active role in responding to local housing needs.
38. Monitor and report annually on the City, Federal, Provincial, development industry, and other contributions to the creation of affordable housing through the proposed Strategy as a means of demonstrating the City's commitment to the creation of affordable housing with this information being used to secure future support from senior levels of government.
39. Advocate to senior levels of government for flexible funding mechanisms which reflect local needs and priorities at key points along the housing continuum. This could include housing for those who are homeless as well as those with special housing needs. As well, it could include low end of market rental housing and entry-level ownership.
40. Put forward a resolution requesting that the member municipalities of the Union of British Columbia Municipalities (UBCM) advocate for changes to federal tax policy to encourage new rental housing construction.

DRAFT AFFORDABLE HOUSING STRATEGY
CITY OF RICHMOND

Building the Richmond We Want

November 1, 2006





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Strategic Context

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 central focus of this strategy is to enable the City of Richmond to play an active role in working with local groups and agencies, the private sector as well as other levels of government to meet the affordable housing needs of residents living in the City of Richmond.

Goals and Objectives

The City of Richmond recognizes that it will not be able to solve housing affordability pressures 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 of Richmond is successful in providing a range of housing options for households of different ages, family types and incomes.

Guiding Principles

- 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 limited available resources; targeted strategies may be required.*
- 6. Affordability challenges will not be resolved through short-term interventions. Effective solutions are the result of long-term policy decisions and strategic interventions that focus on enabling an expanded range of options at key points along the housing continuum.*

The Case for Action

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 affordable 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 secondary rental market (i.e. legal second suites), as well as 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 are typically most likely to feel some of the greatest pressure both in terms of the choices that are available, 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

The Case for Action

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 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 further compounded.

This report sets out some of the specific issues and key strategic directions that can be taken at the municipal level including:

1. A specific commitment to respond to housing affordability issues;
2. The use of regulatory tools and approaches to create new affordable housing units;
3. Strategies and approaches designed to preserve and maintain the existing rental housing stock;
4. Incentives to create new non-market or affordable rental housing units;
5. Targeted strategies designed to build community capacity and create partnerships in the community and with senior levels of government.

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 of Richmond.

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. In addition, the Federal government announced under Bill C-48 that it would make \$1.4 billion available to the Provinces and Territories to respond to their immediate housing needs. This funding will be flowed over a number of years with approximately \$106 million dollars being allocated to B.C.

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 has recently released its Provincial 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;

Key Stakeholders and Housing Partners

- 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.

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.

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.

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.

Key Stakeholders and Housing Partners

The Regional Government

The Regional government is also a 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. In addition, the Region has taken a lead role to develop a co-ordinated 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 and homelessness strategy.

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, and 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 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 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 social 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" must 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 neighbourhoods 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 the housing continuum. This includes households requiring access to social housing, low end of market rental housing 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 adopted by City Council on July 24, 2006, it was recommended that the City of Richmond 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 of market options";
- Households with annual incomes of \$40,000 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 ¹ | 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 \$40,000 | 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 \$40,000 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"> Access to social housing SAFER assistance for seniors (Provincial initiative) Rent assistance for families (<i>new</i> Provincial initiative) | <ul style="list-style-type: none"> Significant affordability gap resulting in a significant level of assistance in order to alleviate the depth of need Requires high or "deep" subsidy |
| Households with Income \$20,000 to \$40,000 | <ul style="list-style-type: none"> Access to social housing Access to "low end of market rental housing" | <ul style="list-style-type: none"> Affordability gap improves as income increases with the level of assistance Varying levels of subsidy from "shallow" to "deep" |
| Entry-level Income of \$40,000 to \$60,000 | <ul style="list-style-type: none"> Currently no policy options are available. | <ul style="list-style-type: none"> Depends on program parameters Generally shallow subsidy programs |

¹ 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 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, which states that a household should spend no more than 30% of its gross income on shelter costs.

In comparing the “affordable rent” with the average 2005 market rents² reported by CMHC for different unit types, it is determined that the affordability gap is between \$106 per month for a bachelor unit and almost \$600 per month for a 3-bedroom unit. Annually this translates into a shortfall of between 6% and 34% 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 social housing.

² These are the most current rents that are available. 2006 rents are expected to be published in November.

Defining Affordability

As noted in the Provincial Housing Strategy, 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, the Provincial Housing Strategy 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 2005 ¹ | Affordable Rent ² | Affordability Gap ³ | Annual Income Shortfall ⁴ |
|-----------|--------------------------------|------------------------------|--------------------------------|--------------------------------------|
| Bachelor | \$606 | \$500 | \$106 | \$1,272 |
| 1-Bedroom | \$780 | \$500 | \$280 | \$3,360 |
| 2-Bedroom | \$931 | \$500 | \$431 | \$5,172 |
| 3-Bedroom | \$1,064 | \$500 | \$564 | \$6,768 |

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 social housing, but also in need of access to "low end of 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 2005 market rents, a household with an annual income of \$25,000 will face an affordability gap of between \$155 and \$439 per month depending on the unit type. This represents between 7% and 21% of their gross households income.

| Unit Type | Average Rent 2005 ¹ | Affordable Rent ² | Affordability Gap ³ | Annual Income Shortfall ⁴ |
|-----------|--------------------------------|------------------------------|--------------------------------|--------------------------------------|
| Bachelor | \$606 | \$625 | No gap | No Shortfall |
| 1-Bedroom | \$780 | \$625 | \$155 | \$1,860 |
| 2-Bedroom | \$931 | \$625 | \$306 | \$3,672 |
| 3-Bedroom | \$1,064 | \$625 | \$439 | \$5,268 |

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 2005 market rents, a household with an annual income of \$30,000 will face an affordability gap of between \$30 and \$314 per month depending on the unit type. At the 2 bedroom unit level, this shortfall represents 7% of gross household income.

| Unit Type | Average Rent 2005 ¹ | Affordable Rent ² | Affordability Gap ³ | Annual Income Shortfall ⁴ |
|-----------|--------------------------------|------------------------------|--------------------------------|--------------------------------------|
| Bachelor | \$606 | \$750 | No Gap | No Shortfall |
| 1-Bedroom | \$780 | \$750 | \$30 | \$360 |
| 2-Bedroom | \$931 | \$750 | \$181 | \$2,172 |
| 3-Bedroom | \$1,064 | \$750 | \$314 | \$3,768 |

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

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 2005 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 2005 ¹ | Affordable Rent ² | Affordability Gap ³ | Annual Income Shortfall ⁴ |
|-----------|--------------------------------|------------------------------|--------------------------------|--------------------------------------|
| Bachelor | \$606 | \$943 | No gap | No shortfall |
| 1-Bedroom | \$780 | \$943 | No gap | No shortfall |
| 2-Bedroom | \$931 | \$943 | No gap | No shortfall |
| 3-Bedroom | \$1,064 | \$943 | \$121 | \$1,452 |

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 \$40,000 with the analysis being calculated at the \$20,000, \$25,000, \$30,000 and \$37,700 level. These are households which are eligible for social housing but which are also in need of rent assistance and/or access to “low end of 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 ¹ | Households with Incomes \$25,000 ² | Households with Incomes \$30,000 ³ | Households with Incomes \$37,700 ⁴ |
|-----------------------------------|---|---|---|---|
| Affordable Rent | \$500 | \$625 | \$750 | \$943 |
| Affordability Gap Bachelor Units | \$106 | No gap | No gap | No gap |
| Affordability Gap 1 Bedroom Units | \$280 | \$155 | \$30 | No gap |
| Affordability Gap 2 Bedroom Units | \$431 | \$306 | \$181 | No gap |
| Affordability Gap 3-Bedroom Units | \$564 | \$439 | \$314 | \$121 |
| Level of Assistance | Deep | Deep | Shallow | Shallow |
| 1 From Table 3 (page 11) | | | | |
| 2 From Table 4 (page 11) | | | | |
| 3 From Table 5 (page 12) | | | | |
| 4 From Table 6 (page 12) | | | | |

The City of Richmond has a role in encouraging the creation of new low end of market rental units which would help to address the housing burden for households with incomes of \$30,000 to \$40,000 and which would provide a more affordable alternative for lower income households who are unable to gain access to social 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 of market” rental housing. Tables 9 through 11, in turn, show the potential improvement in affordability across the different income levels.

Defining Affordability

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

| Unit Type | Current Market Rent 2005 ¹ | LEM Rent (85% of market) ² | LEM Rent (90% of market) ³ |
|-----------|---------------------------------------|---------------------------------------|---------------------------------------|
| Bachelor | \$606 | \$515 | \$545 |
| 1-Bedroom | \$780 | \$663 | \$702 |
| 2-Bedroom | \$931 | \$791 | \$838 |
| 3-Bedroom | \$1,064 | \$904 | \$958 |

1 CMHC Rental Market Report (City of Richmond)
 2 2005 Market Rental @ 85% (LEM)
 3 2005 Market Rental @ 90% (LEM)

Based on the findings reported in the following tables, it would appear that, if the City of Richmond is successful in generating low end of market rental housing 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, it would only eliminate the gap for those indicated below.

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 ¹ | Affordability Gap At Current Market Levels ² | Reduced Affordability Gap (85% of market) ³ | Reduced Affordability Gap (90% of market) ⁴ |
|-----------|--|---|--|--|
| Bachelor | \$500 | \$106 | \$15 | \$45 |
| 1-Bedroom | \$500 | \$280 | \$163 | \$202 |
| 2-Bedroom | \$500 | \$431 | \$291 | \$338 |
| 3-Bedroom | \$500 | \$564 | \$404 | \$458 |

1 30% of income @ \$20,000 per annum
 2 From Table 3 (page 11)
 3 "Affordable rent" less LEM @ 85%
 4 "Affordable rent" less LEM @ 90%

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 ¹ | Affordability Gap At Current Market Levels ² | Reduced Affordability Gap (85% of market) ³ | Reduced Affordability Gap (90% of market) ⁴ |
|-----------|--|---|--|--|
| Bachelor | \$625 | No Gap | No Gap | No Gap |
| 1-Bedroom | \$625 | \$155 | \$38 | \$77 |
| 2-Bedroom | \$625 | \$306 | \$166 | \$213 |
| 3-Bedroom | \$625 | \$439 | \$279 | \$333 |

1 30% of income @ \$25,000 per annum
 2 From Table 4 (page 11)
 3 "Affordable rent" less LEM @ 85%
 4 "Affordable rent" less LEM @ 90%

Defining Affordability

| Unit Type | Affordable Rent for Household with Income of \$30,000 ¹ | Affordability Gap At Current Market Levels ² | Reduced Affordability Gap (85% of market) ³ | Reduced Affordability Gap (90% of market) ⁴ |
|-----------|--|---|--|--|
| Bachelor | \$750 | No Gap | No Gap | No Gap |
| 1-Bedroom | \$750 | \$30 | No Gap | No Gap |
| 2-Bedroom | \$750 | \$181 | \$41 | \$88 |
| 3-Bedroom | \$750 | \$314 | \$154 | \$208 |

1 30% of income @ \$30,000 per annum
 2 From Table 5 (page 12)
 3 "Affordable rent" less LEM @ 85%
 4 "Affordable rent" less LEM @ 90%

Entry Level Ownership Options – Households with Incomes of \$40K to \$60K

The following table sets out the qualifying income and monthly housing cost for entry-level ownership options within the City of Richmond. Based on the most recent 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 \$40,000 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.

| 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

Defining Affordability

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 formalize these types of eligibility criteria, it is common practice to employ a Housing Agreement. In most cases, these Housing Agreements involve a significant level of administrative oversight and legal complexity. 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 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.

Municipal Strategies and Actions

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- A specific commitment to address housing affordability issues;

Policy Area 2 -The use of regulatory tools to create new affordable housing units;

Policy Area 3- Strategies designed to preserve and maintain the existing rental housing stock;

Policy Area 4- Incentives to create new non-market and affordable rental housing units;

Policy Area 5- Targeted strategies to build community capacity and create partnerships in the community as well as with senior levels of government; and,

Policy Area 6- Advocacy approaches to improve the policy framework and funding to respond 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 *City's 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 senior levels of government and other housing partners that housing affordability is a City priority.

Policy Area #1 An Articulated Commitment

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

1. City Council adopt the recommended policies and directions set out in this report;
2. The Lands Section of the Business and Financial Services Department hire a full time employee to assist in the implementation of this Strategy with funding for this position being provided through contributions to the Affordable Housing Reserve Fund.
3. A work program be prepared annually by staff of the Lands Section for presentation to City Council implementing the Affordable Housing Strategy.
4. The results from the Strategy be monitored and reported annually with this information being used to demonstrate to senior levels of government and other housing partners that the City is committed to the on-going creation of affordable housing.
5. The Official Community Plan (OCP) and Area Plans for the City, starting with the update of the City Centre Area Plan currently underway incorporate the directions set out under this Strategy once it has been adopted by City Council.³
6. City staff continue to work with the Greater Vancouver Regional District (GVRD) and other key planning and decision making bodies to ensure that housing affordability issues in Richmond are recognized and addressed at the Regional, Provincial and national levels and that appropriate resources are made available.

³The 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.

Policy Area #2 Regulatory Tools and Approaches

City of Richmond Action Regulatory Tools and Approaches



This section looks at specific tools and strategies 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 Rezoning

This section focuses specifically on some of the potential opportunities that may be available through the zoning mechanism. This can include up-zoning or re-zoning, 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. Furthermore, it is the City's impression that developers do not want to continue to own the affordable housing units as it is their preference to build and sell a project. Therefore, the ownership and control of the affordable housing units would likely be transferred to the City.

While the contributions to the Affordable Housing Reserve Fund create additional opportunities for the City of Richmond to partner with senior levels of government, City staff has expressed an interest in examining the feasibility of making adjustments to the current contribution requirement for major re-zonings to allow for the creation of "units on the ground".

Adopting an Inclusionary Zoning Approach

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

The inclusionary zoning approach is a more complicated mechanism which stipulates the percentage, size and type of unit to be provided within a given rezoning. The model 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 currently underway by G.P. Rollo and Associates 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.

Policy Area #2 Regulatory Tools and Approaches

As a matter of equity and practicality, it is recognized that the contribution levels required under the inclusionary zoning approach should be the same under both the cash-in-lieu option and the inclusionary zoning option. However, one of the stated goals for the City of Richmond is the direct creation of affordable units where possible—an approach which favours the inclusionary zoning option.

Evaluating the Project Economics of the Developer Delivery Model

In looking at potential strategies and alternatives under the inclusionary zoning model, 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, town house or single family dwelling), as well as the point on the housing continuum that is being targeted (entry-level ownership, low end of 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 per square foot will be the threshold for obtaining affordable housing space. This estimate helps to establish the baseline for evaluating the potential alternatives available through inclusionary zoning.

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 mechanism was "tested" on various housing options.

The Assumptions

- The analysis focused on high rise and low rise developments of 20 units or more where it is expected that the project densities will be such that the project economics will prove more favourable;
- Townhouse developments and developments with less than 20 units would be required to make a cash-in-lieu contribution;
- The required unit contribution for low rise and high rise developments of 20 units or more would be determined by the project proforma. However, in cases where the contribution is determined to be less than \$4 per sq. ft., the required contribution will be cash-in-lieu.

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 model 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 \$40,000 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 currently underway by G.P. Rollo & Associates, 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 of 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 at the low end of the market (affordable to households with incomes of less than \$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 project economics, it is likely that the units which are created will have to remain at the

Policy Area #2 Regulatory Tools and Approaches

upper end of the low end of market scale with these units being affordable to 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 \$50 and \$560 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 is 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 which would have responsibility for tenant selection and placement.

To some extent, the management of the rental units created under this model 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 could be "pooled" and a management contract established with a qualified group including non-profit housing providers 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.

Policy Area #2 Regulatory Tools and Approaches

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 of rental market segment of the housing continuum is the depth of need that can be addressed through the pro forma. 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 model 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 affordable housing units.

1. The City could assume ownership of the unit(s) created through the increased value generated through the rezoning process, with the expected contribution being equal to approximately 50% of the increase in value realized by the developer.
2. The City could also use funding through the Affordable Housing Reserve Fund to purchase units from the developer at 50% of the market price. This approach would allow the City to maximize the number of units added to the inventory of affordable housing stock and represents a cost-effective strategy for increasing the available supply of affordable rental units. The City will own these units as strata title units.
3. A third alternative would involve selling the unit to a non-profit housing society with the purchase price being funded by a mortgage loan. The purchase of 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, as well as 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 these units, with this assistance acting as a "shallow subsidy".

Policy Area #2 Regulatory Tools and Approaches

Addressing the Needs of Households Requiring Deep Subsidy

The use of the inclusionary zoning mechanism does not appear to work as well in the case of household requiring "deep" subsidies (i.e. units targeted to households with 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, our analysis suggests that only a small number of additional deep need units could be created through this mechanism with large scale re-zonings being the most likely to successfully accommodate the proposed mix.

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

Our analysis suggests that there is merit in the use of an inclusionary zoning 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 model 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 model might also require that the City consider flexibility around other elements which may contribute to an improved cost profile.

Policy Area #2 Regulatory Tools and Approaches

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, envelope or other requirements. Without these types of adjustments, it is possible that the development will not be viable.

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 also 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 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.

Table 13 summarizes the general guidelines which can be applied to the inclusionary zoning model. The information set out in Table 13 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. However, it should be noted that the inclusionary zoning approach is highly innovative in the Canadian and BC context. It is therefore recommended that the City set aside funding for detailed program design and exhibit flexibility with the initial applicants in order to create a practical and workable model.

Some of the key elements to be considered in adopting this model 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.

Policy Area #2 Regulatory Tools and Approaches

The information set out in Table 13 applies to low rise and high rise developments of 20 units or more. Townhouse developments and developments of less than 20 units will operate on a cash-in-lieu basis.

| Key Elements | Rental | | | | Ownership | | | |
|---|--|--------------|------------|------------|--|--------------|-----------------|------------|
| Size of development ⁴ | 20 or more units | | | | 20 or more units | | | |
| % of affordable units required | As determined by pro forma | | | | As determined by pro forma | | | |
| 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 ⁵ | | | |
| 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 | Minimum Size | Rent Level | | Unit Type | Minimum Size | Selling Price | |
| | | | Market | 90% Market | | | Market | 55% Market |
| | bachelor | 400 sf | \$606 | \$545 | bachelor | 400 sf | -- ⁶ | -- |
| | 1-bed | 535 sf | \$780 | \$702 | 1-bed | 535 sf | \$276,000 | \$151,800 |
| | 2-bed | 860 sf | \$931 | \$838 | 2-bed | 860 sf | \$413,000 | \$227,150 |
| | 3-bed | 980 sf | \$1,064 | \$958 | 3-bed | 980 sf | \$430,000 | \$236,500 |
| Income Target | Shallow subsidy | | | | Shallow Subsidy | | | |
| 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 | | | |

⁴ Developments of less than 20 units and townhouse developments will be required to make a cash-in lieu contribution of \$2 per square foot.

⁵ Not a priority at this time given the critical need for "affordable" rental units but may be considered a priority at a future date.

⁶ Lack of current data available for newly built bachelor units.

Policy Area #2 Regulatory Tools and Approaches

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

1. Developments with fewer than 20 units including all townhouse developments be required to provide a cash-in-lieu contribution of \$2 per square foot.
2. High-rise or low-rise apartments with 20 units or more would be required to make affordable units available for low end of market rental housing as determined by the project pro forma.
3. The ownership and designation of the units created through this approach would be controlled in perpetuity through a Housing Agreement registered on title with the City retaining strata-title ownership of the rental units.
4. These units will be rented at low end of market rent to eligible households with the responsibility for management and tenant selection being contracted to non-profit housing providers.
5. This approach would apply to all future rezoning applications, effective July 1, 2007.
6. Given the critical priority need for affordable rental housing, entry-level ownership not be considered at this time but may be considered at a future date.
7. Due to the highly innovative nature and to the limited prior use of the inclusionary zoning approach in the BC and Canadian contexts, that the City set aside funding for detailed program design in the event that the City moves forward with this approach.
8. The City exhibit flexibility with the initial applicants in order to identify and address implementation issues and create a practical and workable model.

Other Strategies for Adding Affordable 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 rental housing choices for residents as well as respond 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

Policy Area #2 Regulatory Tools and Approaches

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. In addition, those involved in the public consultation process expressed a significant level of support for this option.

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

1. Complete the Secondary Suite Policy which would allow for the legalization of one existing or new secondary suite in any single family dwelling.
2. Adopt an inclusionary zoning approach for single-family residential rezoning applications received after July 1, 2007 to include a coach house unit above the garage, a legal secondary suite, or a fully adaptable/universally accessible flex house in at least 50% of the new dwelling units on properties being rezoned.
3. Amend the Zoning and Development Bylaw to include a density bonus provision for legal secondary suites, adaptable or universally accessible units.

Policy Area #3 Preserve and Maintain Existing 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, the General Purposes Committee of Council passed the following referral motion on September 18, 2006: "That staff be instructed to prepare a bylaw to establish minimum housing standards for rental housing, which would prohibit a landlord from disconnecting heat, light and water from those units which include these utilities as part of the monthly rental payment". The enactment of a Standards of Maintenance Bylaw to address issues of heat, light and water will be addressed by the Law Department.

1. A resolution be put forward to the Union of British Columbia Municipalities (UBCM) to request that the Province give greater powers to municipalities, similar to those in the Vancouver Charter, to intervene in landlord and tenant disputes where tenants are living in unhealthy or unsafe conditions.

Responding to the Loss of Existing Rental Housing Stock

The City of Richmond also 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

Policy Area #3 Preserve and Maintain Existing Stock

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.

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 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 a policy requiring a 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family developments.
2. That City staff establish a process to monitor and report on the on-going loss of the existing rental housing stock.
3. That the City's commitment to the use of 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 reconfirmed.

Policy Area #4 Incentives to Create Affordable Units

City of Richmond Action

Incentives to Stimulate the
Creation of New Affordable
Housing Units



Incentives to create additional affordable housing units can include the relaxation of development cost charges for non-profit housing, the expediting and streamlining of rezoning and other development applications for subsidized and low end of market developments, as well as the waiving of development fees or other costs. Typically, when a City makes a direct contribution to facilitate the creation of housing units, housing agreements are used to ensure that this housing remains affordable over the long term. These agreements are typically negotiated between the developer and the municipality as part of the approvals process and are registered on title.

The rezoning mechanism and density bonuses are well established practices which can achieve powerful results. Where developments include a significant percentage of market rental or subsidized units, the City should pursue the opportunity aggressively. Density bonus provisions can be very successful but only when it is recognized that other relaxations are almost always required. Often, developments cannot realize the value of the increased density due to other constraints like parking requirements, the size of the building envelope, height restrictions determined by fire code, and the marketability of the unit. It should also be noted that flood plain issues and proximity to the airport can limit the City's ability to offer density bonus provisions in some areas such as the Downtown Commercial district (C7).

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

A copy of the draft Affordable Housing Strategy will be circulated to pertinent City departments for them to review their policies and bylaws to identify any barriers that would limit the development of new "affordable housing". Similarly, the

Policy Area #4 Incentives to Create Affordable Units

development community and stakeholders will be encouraged to identify all impediments to low end market rental and subsidized housing that exist within the City. The intent will be to remove these barriers or impediments as part of the final Affordable Housing Strategy.

Taking these factors into consideration, it is recommended that:

1. Rezoning and development permit applications involving 100% subsidized housing be expedited at no additional cost to the applicant.
2. The Development Cost Charge (DCC) Bylaw be reviewed to determine the financial and engineering implications of reducing DCCs for non-profit rental housing and subsidized housing.
3. The Lands Section of the City's Business and Financial Services Department lead a review of other incentives such as reduced taxes, parking relaxations and other possible options to assist in the creation of affordable rental and subsidized housing.

Policy Area #5 Building Community Capacity

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 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; and,
- 5 Housing for low income families.

These groups are closely aligned with the priority groups identified in the Provincial Housing Strategy which was recently released with housing for people with mental illness, addictions and the homeless representing the priority groups identified through the Premier's Taskforce. 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.

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 million through this fund.

Policy Area #5 Building Community Capacity

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

1. City Council request proposals from groups and agencies in the community that, with funding provided 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 housing units designed to meet the priority needs identified.
2. In responding to the proposal call, proponents would be required to demonstrate experience/expertise in a number of areas including project development, non-profit property management and residential construction and would be required to contribute equity or private capital in order to be considered.
3. In addition, the following criteria would be used to evaluate the proposals:
 - a) *Alignment with the City's housing 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) *Identify key development risks and mitigation strategies, and,*
 - e) *The management capacity and experience of the proponents in working with special needs/priority groups and/or the types of community partnership arrangements that have been put into place to address these needs.*

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. In going forward, it is recommended that:

1. The Affordable Housing Reserve Fund be amended to better clarify that the Fund and other accounts can be used for the purpose of:
 - a) Purchasing and trading property for subsidized and low end market rental housing as defined by the Affordable Housing Strategy;
 - b) Taking an equity position in other's affordable housing projects;
 - c) Entering into negotiating partnerships with other levels of government and/or private agencies; and,
 - d) Paying for staff administering the Affordable Housing Strategy, associated updates and operating costs.

Policy Area #5 Building Community Capacity

2. The Affordable Housing Reserve Fund be administered by the Lands Section and be used as leverage for securing funding commitments from senior levels of government and/or private partnerships to support the creation of subsidized housing and low end of market rental housing (not entry-level ownership).
3. Funding from the Affordable Housing Reserve Fund be allocated through a competitive proposal call process annually depending on the availability of funds.

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 of Richmond. It is also important for the City of Richmond 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 the City. 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 be initiated with key Federal and Provincial government ministries/agencies, representatives from the non-profit and co-op housing sectors, the Urban Development Institute (UDI), the Greater Vancouver Home Builders Association (GVHBA), as well as other key stakeholders to build effective communication and identify potential partnership opportunities.
2. Lands Section staff examine the cost and implications of
 - a) The implementation of a City of Richmond 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

Policy Area #5 Building Community Capacity

inventory of non-market housing and move the City towards realizing its affordability objectives.

Taking this into account, it is recommended that:

1. City land be used for subsidized housing and low end market rental housing (not entry level ownership) where funding has or will be obtained from other levels of government and/or private partnerships.
2. The Lands Section develop a strategic land acquisition program for "affordable housing" with funding from the Affordable Housing Reserve Fund.
3. The sale of 8111 Granville Avenue/8080 Anderson Road be deferred pending further discussions with subsidized (including homelessness) housing proponents who are willing to develop the site at its maximum density. Should these discussions not result in a viable affordable housing project, consideration be given to a land transfer for another site in a less costly location or off a main commercial road.

City of Richmond Action

Advocacy aimed at improving the policy framework and funding resources available



In recent decades, most new housing has been built for the ownership market 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 Provincial and Regional policy directions reflect and support the policies set out under this Strategy.
2. Continue to work with Regional staff and other levels of government to ensure that there is a clear strategy in place to support local growth and change and to ensure that all levels of government continue to play an active role in responding to local housing needs;
3. Monitor and report annually on the City, Federal, Provincial, development industry, and other contributions to the creation of affordable housing through the proposed Strategy as a means of demonstrating the City's commitment to the creation of affordable housing with this information being used to secure future support from senior levels of government.
4. Advocate to senior levels of government for flexible funding mechanisms which reflect local needs and priorities at key points along the housing continuum. This could include housing for those who are homeless as well as those with special housing needs. As well, it could include low end of market rental housing and entry-level ownership.

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

Policy Area #6 Advocacy

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 member municipalities of the Union of British Columbia Municipalities (UBCM) advocate for changes to federal tax policy to encourage new rental housing construction.

Summary of Recommendations

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

Policy Area #1

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

1. City Council adopt the recommended policies and directions set out in this report.
2. The Lands Section of the City's Business and Financial Services Department hire a full time employee to assist in the implementation of this Strategy with funding for this position being provided through contributions to the Affordable Housing Reserve Fund.
3. A work program be prepared annually by staff of the Lands Section for presentation to City Council implementing the Affordable Housing Strategy.
4. The results from the Strategy be monitored and reported annually to demonstrate to senior levels of government and other housing partners that the City is committed to the on-going creation of affordable housing.
5. The Official Community Plan (OCP) and Area Plans for the City, starting with the update of the City Centre Area Plan currently underway incorporate the directions set out under this Strategy once it has been adopted by City Council.
6. City staff continue to work with the Greater Vancouver Regional District (GVRD) and other key planning and decision making bodies to ensure that housing affordability issues are recognized and addressed at the Regional, Provincial and national 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 Units

7. Developments with fewer than 20 units including all townhouse developments be required to provide a cash-in-lieu contribution equal to \$2 per square foot.

Summary of Recommendations

8. High-rise or low-rise apartments with 20 units or more would be required to make affordable units available for low end of market rental housing as determined by the project pro forma.
9. The ownership and designation of the units created through this approach would be controlled in perpetuity through a Housing Agreement registered on title with the City retaining strata-title ownership of the rental units.
10. These units will be rented at low end of market rent to eligible households with the responsibility for management and tenant selection being contracted to non-profit housing providers.
11. This approach would apply to all future rezoning applications, effective July 1, 2007.
12. Given the critical priority need for affordable rental housing, entry-level ownership not be considered at this time but may be considered at a future date.
13. Due to the highly innovative nature and to the limited prior use of the inclusionary zoning approach in the BC and Canadian contexts, that the City set aside funding for detailed program design in the event that the City moves forward with this approach.
14. The City exhibit flexibility with initial applicants in order to identify and address implementation issues and to create a practical and workable model.
15. Complete the Secondary Suite Policy which would allow for the legalization of one existing or new secondary suite in any single family dwelling.
16. Adopt an inclusionary zoning approach for single-family residential rezoning applications received after July 1, 2007 to include a coach house unit above the garage, a legal secondary suite, or a fully adaptable/universally accessible flex house in at least 50% of the new dwelling units on properties being rezoned.
17. Amend the Zoning and Development Bylaw to include a density bonus provision for legal secondary suites, adaptable or universally accessible units.

Summary of Recommendations

Policy Area 3-

Preserve and Maintain the Existing Rental Housing Stock

18. A resolution be put forward to the Union of British Columbia Municipalities (UBCM) to request that the Province give greater powers to municipalities, similar to those in the Vancouver Charter, to intervene in landlord and tenant disputes where tenants are living in unhealthy or unsafe conditions.
19. The 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 a policy requiring a 1:1 replacement for the conversion or rezoning of existing rental housing units in multi-family developments.
20. That City staff establish a process to monitor and report on the on-going loss of the existing rental housing stock.
21. That the City's commitment to the use of 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 reconfirmed.

Policy Area 4-

Incentives to Stimulate the Creation of New Non-Market or Affordable Rental Housing Units in Partnership with the Housing Supply Sector and Other Levels of Government

22. Rezoning and development permit applications involving 100% subsidized housing be expedited at no additional cost to the applicant.
23. The Development Cost Charge (DCC) Bylaw be reviewed to determine the financial and engineering implications of reducing DCCs for non-profit rental housing and subsidized housing.
24. The Lands Section of the City's Business and Financial Services Department lead a review of other incentives such as reduced taxes, parking relaxations and other possible options to assist in the creation of affordable rental and subsidized housing

Summary of Recommendations

Policy Area 5

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

25. City Council request proposals from groups and agencies in the community that, with funding provided 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 housing units designed to meet the priority needs identified.
26. In responding to the proposal call, proponents would be required to demonstrate experience/expertise in a number of areas including project development, non-profit property management and residential construction and would be required to contribute equity or private capital in order to be considered.
27. The following criteria would be used to evaluate the proposals that are received:
 - a) Alignment with the City's housing 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) Identify key development risks and mitigation strategies; and,
 - e) The management capacity and experience of the proponents in working with special needs/priority groups and/or community partnership arrangements that have been put into place to address these needs.
28. The Affordable Housing Reserve Fund be amended to better clarify that the Fund and other accounts can be used for the purpose of:
 - a) Purchasing and trading property for subsidized and low end market rental housing as defined by the Affordable Housing Strategy;
 - b) Taking an equity position in other's affordable housing projects;
 - c) Entering into negotiating partnerships with other levels of government and/or private agencies; and,
 - d) Paying for staff administering the Affordable Housing Strategy, associated updates and operating costs.

Summary of Recommendations

29. The Affordable Housing Reserve Fund be administered by the Lands Section and be used as leverage for securing funding commitments from senior levels of government and/or private partnerships to support the creation of subsidized housing or low end of market rental housing (not entry-level ownership).
30. Funding from the Affordable Housing Reserve Fund be allocated through a competitive proposal call process annually depending on the availability of funds.
31. Regular meetings be initiated with key Federal and Provincial government ministries/agencies, representatives from the non-profit and co-op housing sectors, the Urban Development Institute (UDI), the Greater Vancouver Home Builders Association (GVHBA) and other key stakeholders to build effective communication and potential partnership opportunities.
32. Lands Section staff examine the cost and implications of:
 - a. The implementation of a City of Richmond 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.
33. City land be used for subsidized housing and low end market rental housing (not entry level ownership) where funding has or will be obtained from other levels of government and/or private partnerships.
34. The Lands Section develop a strategic land acquisition program for "affordable housing" with funding from the Affordable Housing Reserve Fund.
35. The sale of 8111 Granville Avenue/8080 Anderson Road be deferred pending further discussions with subsidized (including homelessness) housing proponents who are willing to develop the site at its maximum density. Should these discussions not result in a viable affordable housing project, consideration be given to a land transfer for another site in a less costly location or off a main commercial road.

Summary of Recommendations

Policy Area 6

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

36. Ensure that current and future Provincial and Regional policy directions reflect and support the policies set out under this Strategy.
37. Continue to work with Regional staff and other levels of government to ensure that there is a clear strategy in place to support local growth and change and to ensure that all levels of government continue to play an active role in responding to local housing needs.
38. Monitor and report annually on the City, Federal, Provincial, development industry, and other contributions to the creation of affordable housing through the proposed Strategy as a means of demonstrating the City's commitment to the creation of affordable housing with this information being used to secure future support from senior levels of government.
39. Advocate to senior levels of government for flexible funding mechanisms which reflect local needs and priorities at key points along the housing continuum. This could include housing for those who are homeless as well as those with special housing needs. As well, it could include low end of market rental housing and entry-level ownership.
40. Put forward a resolution requesting that the member municipalities of the Union of British Columbia Municipalities (UBCM) advocate for changes to federal tax policy to encourage new rental housing construction.

Implementation Timeframe and Key Milestones

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 | Target Date |
|---|--------------------|
| Adopt the policies and directions set out in this Strategy | January 31, 2007 |
| Hire an additional FTE to implement this Strategy | March 31, 2007 |
| Incorporate directions from this Strategy into the OCP | June 1, 2007 |
| Incorporate directions from this Strategy into local area plans starting with the City Centre Area Plan currently in progress | September 30, 2007 |
| Review and monitor results of this Strategy and prepare annual work program | December 31, 2007 |

Policy Area #2

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

| Major Strategies and Actions | Target Date |
|---|--------------|
| Adopt an inclusionary zoning mechanism to be applied to rezoning applications involving 20 or more units. | July 1, 2007 |

Implementation Timeframe and Key Milestones

| | |
|--|------------------|
| Require a cash-in-lieu contribution equal to \$2 per square foot for developments of 19 units or less. | July 1, 2007 |
| Complete the Secondary Suite Policy | January 31, 2007 |
| Adopt an inclusionary zoning approach for single family rezoning applications | July 1, 2007 |
| Amend the Zoning and Development By-Law to include a density bonus provision for single family residential development | March 31, 2007 |

Policy Area 3- Preserve and Maintain the Existing Rental Housing Stock

| Major Strategies and Actions | Target Date |
|--|-------------------|
| Put forward a resolution to UBCM requesting that the Province grant greater powers to the City (similar to those in the Vancouver Charter) to intervene in landlord and tenant disputes | February 28, 2007 |
| Lift the moratorium placed on the demolition and conversion of multi-family rental housing developments as set out in the Interim Strategy and replace it with a policy that stipulates that conversion or rezoning of existing rental housing developments requires 1:1 replacement of units and an acceptable plan for assisting tenants being displaced | February 1, 2007 |
| Establish a process to monitor and report on the loss of the existing rental housing stock | June 1, 2007 |

Policy Area 4- Incentives to Stimulate the Creation of New Non-Market or Affordable Rental Housing Units in Partnership with the Housing Supply Sector and Other Levels of Government

| Major Strategies and Actions | Target Date |
|--|------------------|
| Expedite rezoning and development applications involving subsidized units | January 31, 2007 |
| Amend the Development Cost Charges By-Law to reduce the DCCs for developments with non-profit or subsidized rental housing units | February 1, 2007 |

Implementation Timeframe and Key Milestones

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

| Major Strategies and Actions | Target Date |
|---|-------------------|
| Allocate funding from the Affordable Housing Reserve Fund through a competitive proposal call process on an annual basis to create additional affordable housing units in partnership with senior levels of government and/or the private sector | June 1, 2007 |
| Request proposals from groups and agencies in the community to create targeted strategies to respond to the identified priority needs with this funding to be provided through the Affordable Housing Reserve Fund based on established evaluation criteria | June 1, 2007 |
| Establish regular meetings with key Federal and Provincial ministries and agencies as well as other housing partners to build effective communication and identify potential partnership opportunities | September 1, 2007 |
| Develop a strategic land acquisition program for affordable housing with funding from the Affordable Housing Reserve Fund | June 1, 2007 |
| Defer the decision on the sale of 8111 Granville Ave./8080 Anderson Rd pending discussion with key housing proponents | January 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 | Target Date |
|---|-------------------|
| Ensure that current and future Provincial and Regional policy directions reflect and support the directions and policies set out in this Strategy | On-going |
| Monitor and report annually on the City's contributions to the creation of affordable housing | On-going |
| Put forward a resolution to the UBCM advocating for changes to Federal tax policy to encourage new rental housing construction | February 28, 2007 |

Key Measures and Indicators

The measures and indicators in this section help to provide a general sense of the housing market in the City of Richmond. This information will help the City to track and report on key outcomes/results related to this strategy, as well as identify future priorities and should be up-dated annually or as information becomes available.

Responding to Growth and Change

From 1986 to 2001, the City of Richmond gained 18,745 households – an increase of 1,250 households annually with future demand expected to continue by at least 1,045 households annually over the next 15 years.

| Table 1A: | 1986 | 1991 | 1996 | 2001 | Average Annual Increase |
|------------------------------------|--------|--------|--------|--------|-------------------------|
| TOTAL HOUSEHOLDS (Richmond) | | | | | |
| Total Households | 38,030 | 43,900 | 50,780 | 56,775 | 1,250 |
| Total Owners | 25,355 | 28,820 | 35,255 | 40,165 | 987 |
| Total Renters | 12,675 | 15,085 | 15,525 | 16,510 | 256 |

Source: Statistics Canada, 1986, 1991, 1996 and 2001

| Table 2A: | 2001-2006 | 2006-2011 | 2011-2016 | 2016-2021 | Total 2001-2021 | Average Annual Change |
|---|-----------|-----------|-----------|-----------|-----------------|-----------------------|
| PROJECTED FUTURE DEMAND (Richmond) | | | | | | |
| Total New Household Demand (PwC) | 5,811 | 5,486 | 5,159 | 4,465 | 20,920 | 1,045 |
| New Ownership Demand | 5,169 | 4,872 | 4,593 | 3,961 | 18,594 | 930 |
| New Rental Demand | 608 | 573 | 540 | 466 | 2,186 | 109 |

Source: GVRD Affordable Housing Demand Forecasts (2004)

Supply Responsiveness

In comparing housing starts (2001-2006) to forecasted future demand, it appears that the supply response has been strong, and that the City of Richmond has been successful in creating the conditions necessary to stimulate new housing supply.

| Table 3A: | 2001-2006 | 2006-2011 | 2011-2016 | 2016-2021 | Total 2001-2021 | Average Annual Change |
|---|-----------|-----------|-----------|-----------|-----------------|-----------------------|
| SUPPLY RESPONSE (Richmond) | | | | | | |
| Estimated Housing Demand (PwC) | 5,811 | 5,486 | 5,159 | 4,465 | 20,920 | 1,046 |
| New Housing Starts (rental and ownership) | 6,944 | 6,944 | 6,944 | 6,944 | 27,776 | 1,389 |
| Surplus/Shortfall Relative to Targets | 1,133 | 1,458 | 1,785 | 2,479 | 6,856 | 343 |

Source: CMHC, *Housing Now*, Vancouver CMA and GVRD Housing Forecast (2004)

Key Measures and Indicators

Ownership Starts

The data suggests that ownership starts accounted for the majority of new housing starts with the level of activity over the past five (5) years exceeding the forecasted demand by a significant percentage (31%).

| Table 4A: | 2001-2006 | 2006-2011 | 2011-2016 | 2016-2021 | Total 2001-2021 | Average Annual Change |
|--|-----------|-----------|-----------|-----------|-----------------|-----------------------|
| OWNERSHIP STARTS (Richmond) | | | | | | |
| Estimated Housing Demand (PwC) | 5,169 | 4,872 | 4,593 | 3,961 | 18,594 | 930 |
| New Housing Starts | 6,790 | 6,790 | 6,790 | 6,790 | 27,160 | 1,358 |
| Surplus/Shortfall Relative to Targets | 1,621 | 1,918 | 2,197 | 2,289 | 8,566 | 428 |
| Source: CMHC, <i>Housing Now</i> , Vancouver CMA and GVRD Housing Forecast | | | | | | |

Rental Housing Starts

If rental housing starts remain at the current level (less than 200 units) then it is likely that the City will experience a shortfall of almost 1,600 units by 2021 relative to the forecasted future demand.

| Table 5A: | 2001-2006 | 2006-2011 | 2011-2016 | 2016-2021 | Total 2001-2021 | Average Annual Change |
|---|-----------|-----------|-----------|-----------|-----------------|-----------------------|
| PROJECTED SHORTFALL-RENTAL UNITS (Richmond) | | | | | | |
| New Rental Demand (PwC) | 608 | 573 | 540 | 466 | 2,186 | 109 |
| New Rental Housing Starts | 154 | 154 | 154 | 154 | 616 | 31 |
| Surplus/Shortfall Relative to Targets | (454) | (419) | (386) | (312) | (1,571) | (79) |
| Source: CMHC, <i>Housing Now</i> , Vancouver CMA and GVRD Housing Forecast (2004) | | | | | | |

Projected Loss of Available Rental Housing Stock

Based on the housing forecasts prepared by PwC (2004), it is estimated that there could be a loss of as many as 1,240 existing rental housing units between 2006 and 2021. This includes units in both low-rise and high-rise purpose built rental housing developments.

Key Measures and Indicators

| Table 6A: | 2006- 2011 | 2011- 2016 | 2016- 2021 | Total 2006- 2021 |
|---|---------------|---------------|---------------|---------------------|
| PROJECTED LOSS OF RENTAL UNITS | | | | |
| Inventory of Apartments 5+ Stories | 1,249 | 1,173 | 1,047 | 848 |
| Estimated Loss of Units (Apts 5+ Stories) | (76) | (126) | (199) | (401) |
| Inventory of Apartments <5 Stories | 6,146 | 5,898 | 5,628 | 5,307 |
| Estimated Loss of Units (Apts <5 Stories) | (248) | (270) | (321) | (839) |
| Total Inventory of Apartment Units | 7,395 | 7,071 | 6,675 | 6,155 |
| Cumulative Loss of Rental Units | (324) | (396) | (520) | (1,240) |

Source: GVRD Affordable Housing Demand Forecasts (2004)

Non-Market Units

Of the new rental housing units created between 2001 and 2006, data provided by BC Housing suggests that more than half (55%) were non-market units created through Provincial supply programs.

| Table 7A: | 2001- 2006 |
|---|---------------|
| NON-MARKET RENTAL STARTS | |
| New Rental Housing Starts | 154 |
| New Non-Market Units | 85 |
| % of New Rental Housing Starts which are Non-market | 55% |

Source: CMHC, *Housing Now*, Vancouver CMA and GVRD Housing Forecast (2004)

Average Vacancy Rates

Vacancy rates in the City of Richmond have continued to remain very low. Data from CMHC's *Rental Market Report*, shows that vacancy rates within the City of Richmond have been at or below 2% for most or all unit types for more than 5 years.

| Table 8A: | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Average Vacancy |
|---------------------------------|------|------|------|------|------|------|--------------------|
| VACANCY RATES | | | | | | | |
| Average Vacancy Rate – bachelor | -- | 1.5% | 2.5% | 0.8% | 4.1% | 1.0% | 1.98% |
| Average Vacancy Rate – 1-bed | 1.2% | 1.1% | 0.4% | 1.4% | 0.9% | 1.9% | 1.15% |
| Average Vacancy Rate – 2-bed | 0.5% | 0.4% | 0.5% | 1.1% | 1.0% | 3.5% | 1.16% |
| Average Vacancy Rate – 3-bed | -- | 2.3% | -- | -- | 1.7% | -- | 2.00% |

Source: CMHC, *Rental Market Report*, Vancouver CMA

Key Measures and Indicators

Age and Condition of the Existing Rental Stock

Based on data captured in the 2001 Census, almost half of the existing rental housing stock in Richmond (47%) was built after 1980 compared to one-third of the rental housing stock across the GVRD. In addition, the majority of the stock is in reasonably good repair, with approximately 1 in 5 units being identified as being in need of only minor repairs and 1 in 10 units being in need of major repairs.

Table 9A:

AGE OF THE EXISTING RENTAL STOCK

| | Built before 1960 | Built 1961 to 1970 | Built 1971 to 1980 | Built 1981 to 2006 |
|---|-------------------|--------------------|--------------------|--------------------|
| Number of Rental Units | 1,630 | 2,635 | 4,565 | 7,685 |
| Percentage of Total Rental Stock (16,525 Units) | 10% | 16% | 28% | 47% |

Source: Statistics Canada, 1986, 1991, 1996 and 2001

Core Need Income Thresholds

CMHC determines the income threshold at which a household is likely to experience difficulty in finding suitable housing in their community with the resources that they have available. This measure is called the Core Need Income Threshold (CNIT) and is calculated on a Region-wide basis and is used to determine eligibility for social housing. BC Housing publishes the most recent CNIT as part of the materials that they make available to non-market housing providers.

The following table shows the Core Need Income Thresholds (CNIT) for the Vancouver CMA. The current CNIT is consistent with the City's current definition of affordability for low end of market housing (\$37,700) as set out in the Interim Strategy adopted by City Council on July 24, 2006.

Table 10A:

CORE NEED INCOME THRESHOLDS (Vancouver CMA)

| | 1997 | 1999 | 2000 | 2003 |
|-----------------------------|----------|----------|----------|----------|
| Average Core Need Threshold | \$33,200 | \$33,500 | \$34,300 | \$37,700 |
| Bachelor | \$24,000 | \$24,500 | \$25,000 | \$27,500 |
| 1-Bedroom | \$27,500 | \$27,500 | \$25,500 | \$31,000 |
| 2-Bedroom | \$33,500 | \$34,000 | \$35,000 | \$37,500 |
| 3-Bedroom | \$39,000 | \$39,500 | \$41,000 | \$44,000 |
| 4-Bedroom | \$42,000 | \$42,000 | \$45,000 | \$48,500 |

Source: CMHC, Core Housing Need

Key Measures and Indicators

Affordable Rents

Using the standard definition of affordability that housing costs should not consume more than 30% of a household's gross income, the following table shows the average "affordable rent" across the different unit sizes based on the core need income thresholds generated by CMHC.

**Table 11A:
AFFORDABLE RENTS BASED ON THE CORE NEED
INCOME THRESHOLD⁷ (Vancouver CMA)**

| | 1997 | 1999 | 2000 | 2003 |
|-----------------------------|---------|---------|---------|---------|
| Average Core Need Threshold | \$830 | \$838 | \$858 | \$943 |
| Bachelor | \$600 | \$613 | \$625 | \$688 |
| 1-Bedroom | \$688 | \$688 | \$638 | \$775 |
| 2-Bedroom | \$838 | \$850 | \$875 | \$938 |
| 3-Bedroom | \$975 | \$988 | \$1,025 | \$1,100 |
| 4-Bedroom | \$1,050 | \$1,050 | \$1,125 | \$1,213 |

Source: CMHC, Core Housing Need

Average Rent for the City of Richmond

The information captured in Table 12 shows the average market rents for the City of Richmond based on data published in CMHC's Rental Market Report. In general, the average rents are slightly below the general thresholds established by CMHC through CNIT.

**Table 12A:
AVERAGE RENTS**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | Average Annual Increase |
|--------------------------|-------|-------|-------|-------|---------|-------|-------------------------|
| Average Rent | \$747 | \$759 | \$811 | \$809 | \$838 | \$847 | 2.4% |
| Average Rent – bachelor | -- | \$550 | \$583 | \$584 | \$603 | \$606 | 1.8% |
| Average Rent – 1-bedroom | \$676 | \$699 | \$728 | \$734 | \$759 | \$780 | 2.7% |
| Average Rent – 2-bedroom | \$836 | \$833 | \$889 | 899 | \$931 | \$931 | 2.0% |
| Average Rent – 3-bedroom | -- | \$978 | -- | -- | \$1,064 | -- | -- |

Source: CMHC Rental Market Report, Vancouver CMA

⁷ Affordability assumes payment of 30% of gross income to housing.

Key Measures and Indicators

Households in Core Housing Need

The most recent data published by CMHC (2001), suggests that there are approximately 8,835 households across the City of Richmond (both renters and owners) in core housing need. This represents approximately 16% of all households.

| Table 13A: | 1986 | 1991 | 1996 | 2001 |
|--|--------|--------|--------|--------|
| HOUSEHOLDS IN CORE HOUSING NEED | | | | |
| Total Households | 38,030 | 43,900 | 50,780 | 56,775 |
| Total Households in Core Housing Need | 5,965 | 5,790 | 8,270 | 8,835 |
| % of Households in Core Housing Need | 16% | 13% | 16% | 16% |

Source: CMHC, Core Housing Need

Owners in Core Housing Need

As a proportion of households in core housing need, the number of owners has witnessed a significant increase with owners currently accounting for more than half (53%) of all households in need in 2001. This is important observation in that these findings are different from the general patterns and trends related to core housing need, where there is generally a higher prevalence of renter households.

| Table 14A: | 1986 | 1991 | 1996 | 2001 |
|---------------------------------------|-------|-------|-------|-------|
| OWNERS IN CORE HOUSING NEED | | | | |
| Total Households in Core Housing Need | 5,965 | 5,790 | 8,270 | 8,835 |
| Total Owners in Core Housing Need | 2,475 | 2,095 | 4,260 | 4,720 |
| % of Owners in Core Housing Need | 41% | 36% | 52% | 53% |

Source: CMHC Core Housing Need

Key Measures and Indicators

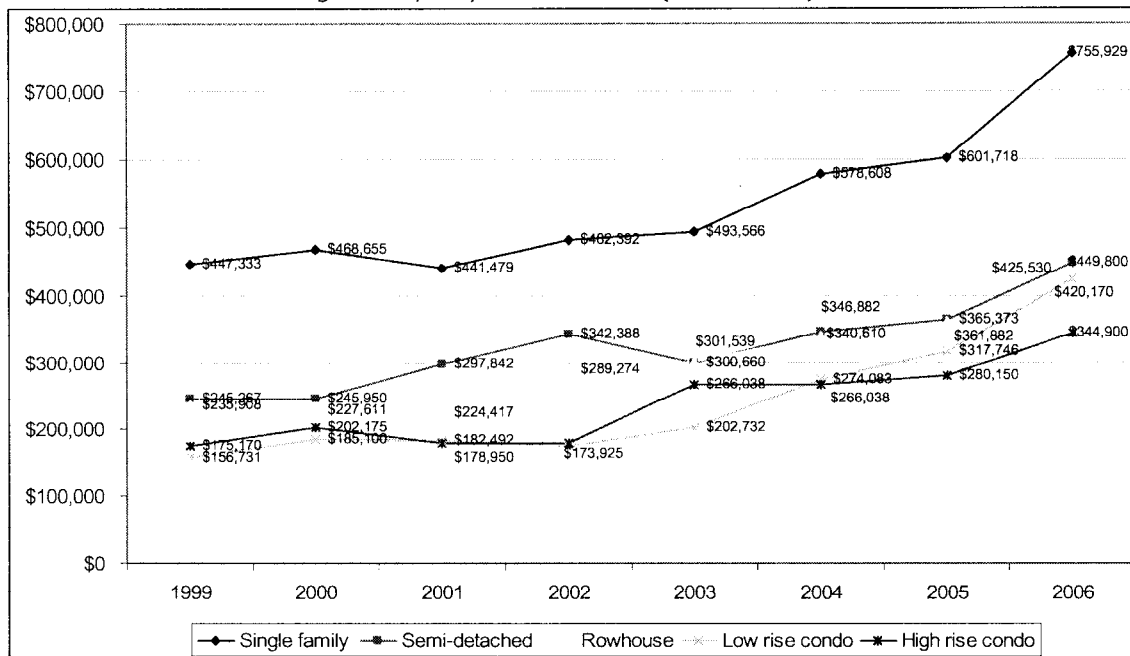
The Rising Cost of Home Ownership

Data published by CMHC through *Housing Now* shows that ownership costs have escalated significantly in recent years making it more difficult for households to access home ownership. The following table and corresponding chart show the median housing prices for new ownership stock created between 2001 and 2006.

| MEDIAN SELLING PRICE | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Single family | \$441,479 | \$482,392 | \$493,566 | \$578,608 | \$601,718 | \$755,929 |
| Semi-detached | \$297,842 | \$342,388 | \$300,660 | \$346,882 | \$365,373 | \$449,800 |
| Rowhouse | \$224,417 | \$289,274 | \$301,539 | \$340,610 | \$361,882 | \$420,170 |
| Low rise condo | \$182,492 | \$173,925 | \$202,732 | \$274,083 | \$317,746 | \$425,530 |
| High rise condo | \$178,950 | -- | \$266,038 | -- | \$280,150 | \$344,900 |

Source: CMHC *Housing Now*, Vancouver CMA

Median Selling Prices, City of Richmond (New Stock) 1999-2006



Key Measures and Indicators

Qualifying Income

Based on the average costs for new housing construction, the following table shows the income needed for households to move into home ownership based on the median selling prices reported by CMHC.

| Table 16A: QUALIFYING INCOME BASED ON MEDIAN PRICE | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Single family | \$105,678 | \$114,603 | \$117,040 | \$135,591 | \$140,632 | \$174,272 |
| Semi-detached | \$74,346 | \$84,063 | \$74,960 | \$85,043 | \$89,077 | \$107,493 |
| Row house | \$58,329 | \$72,477 | \$75,152 | \$83,675 | \$88,315 | \$101,030 |
| Low rise condo | \$49,183 | \$47,315 | \$53,598 | \$69,163 | \$78,687 | \$102,199 |
| High rise condo | \$48,411 | n/a | \$67,408 | n/a | \$70,486 | \$84,611 |

Assumes an interest rate of 5.2%, a 25 year amortization period and a 5% down payment. Also assuming annual property taxes of \$1,800 and monthly utilities and utility costs of \$100 per month.

Renter Households in Core Housing Need

In 2001, there were 4,120 renter households in core housing need. This represents approximately 29% of all renter households. Based on the data available, the average renter household in core housing need reported an annual income of \$21,767 and average housing costs of \$863 per month resulting in an average shelter cost-to-income ratio of 47%.

| Table 17A: RENTERS IN CORE HOUSING NEED | 1986 | 1991 | 1996 | 2001 |
|--|--------|--------|--------|--------|
| Total Renters | 12,675 | 15,085 | 15,525 | 16,510 |
| Total Renters in Core Housing Need | 3,490 | 3,690 | 4,005 | 4,120 |
| % of Total Renters in Core Housing Need | 28% | 24% | 26% | 29% |

Source: CMHC, Core Need Data

Renter Households Paying Over 50% of Their Income on Housing

Of the 4,120 renter households in core housing need, approximately 1,995 were spending 50% or more of their income on housing. This represents almost half (48%) of all renter households in core housing need. In terms of the general characteristics of this group, almost 60% reported that they received income from employment with their average annual income being equal to \$18,693.

Key Measures and Indicators

These households also reported average shelter costs equal to \$996 per month. The majority of these households (63%) were family households with approximately 1 in 3 being single parent family households. The remaining 37% were non-family households with approximately half being seniors. These households can face extreme affordability challenges and are at the greatest risk of losing their housing and/or facing economic eviction.

| Table 18A: RENTERS IN CORE HOUSING NEED PAYING 50% OR MORE OF THEIR INCOME ON SHELTER (City of Richmond) | 1991 | 1996 | 2001 |
|---|-------|-------|-------|
| Total Renters in Core Housing Need | 3,690 | 4,005 | 4,120 |
| Renters in Need and Paying > 50% | | 1,680 | 1,995 |
| % of Total Renters in Core Housing Need | | 42% | 48% |

Source: CMHC, Special data run prepared for the GVRD Homelessness Research

The Affordability Gap for Core Need Renter Households

The standard definition of affordability establishes 30% of gross household income as a basic measure. If a household is spending more than 30% of their income on shelter costs, then it is likely that they will experience difficulty in meeting other basic needs. Based on the average core need renter income (\$21,767) and average monthly rents (\$863) reported by households in core housing need, it is estimated that a household in core housing need is facing a rent gap or affordability gap of approximately \$319 per month. This represents the gap between what they can afford to pay based on 30% of their income and the rent that they are paying. Annually this translates into a shortfall of approximately \$3,828.

**Table 19A:
THE AFFORDABILITY GAP FOR RENTER
HOUSEHOLDS IN CORE HOUSING NEED
(Vancouver CMA)**

| | | | |
|---|----------|--------------------------|---------------------------------|
| Average Income Renter Households in Core Need | \$21,767 | | |
| Average Monthly Income | \$1,814 | | |
| Average Reported Rent | \$863 | Affordable Rent (at 30%) | The Affordability Gap (monthly) |
| Average Shelter-Cost-To-Income Ratio (STIR) | 47% | \$544 | \$319 |

Source: Calculated using CMHC, Core Housing Need data (2001)

Key Measures and Indicators

The Affordability Gap for Core Housing Need Renter Households Paying 50% or More of their Income on Rent (INALH Households)

Based on the 2001 Census, those who reported paying 50% or more of their income on rent reported an average annual income of \$18,693. Applying the standard definition of affordability, an affordable rent would be \$467 per month. When compared to the average rents reported by this group (\$996 per month) this group is facing a rent gap or affordability gap of approximately \$529 per month. Annually this translates into a shortfall of approximately \$6,348. This group is also most closely aligned with the lowest income group reflected in the City's current definition of affordability. That is to say, these households have average annual incomes of \$20,000 or less and are most likely in the greatest need of housing assistance.

**Table 20A:
THE AFFORDABILITY GAP FOR RENTER
HOUSEHOLD SPAYING 50% OR MORE OF THEIR
INCOME ON RENT (INALH)**

| | | | |
|--|----------|--------------------------|---------------------------------|
| Average Income Renter Households in Core Need and Paying 50% or More of their Income on Rent | \$18,693 | | |
| Average Monthly Income | \$1,557 | | |
| Average Reported Rent | \$996 | Affordable Rent (at 30%) | The Affordability Gap (monthly) |
| Average Shelter-Cost-To-Income Ratio (STIR) | 64% | \$467 | \$529 |
| Source: Calculated using CMHC INALH data (2001) | | | |

Non-market or Subsidized Housing

The increase in the affordability gap for low income households has contributed to an increase in the number of households in need of subsidized housing. Based on the most recent data available from BC Housing (July 2006) there are approximately 3,154 social housing units across the City of Richmond and an additional 420 households receiving rent assistance in the private market.

Compared to the total number of renter households, these findings suggest that approximately 22% of all renter households within the City of Richmond are currently receiving some form of housing assistance. This includes 19% who are living in social housing and 3% who are receiving rent assistance in the private market.

Key Measures and Indicators

| | |
|---|--------|
| Table 21A: | 2006 |
| INVENTORY OF NON-MARKET UNITS (City of Richmond) | |
| Total Number of Renter Households (2001) | 16,525 |
| Total Households Receiving Housing Assistance | 3,574 |
| Percentage of Renter Households Assisted | 22% |
| Source: Statistics Canada, 2001; BC Housing, 2006 | |

Households Applying for Housing Assistance

According to BC Housing, there are currently 761 households living in the City of Richmond who have applied for social housing. While some of these households will receive housing through turnover in the existing subsidized housing stock, the data suggests that the number of households waiting for housing assistance has continued to increase by approximately 50 to 100 households annually.

| | | | | | | |
|--|-------|-------|-------|-------|-------|-------|
| Table 22A: | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| HOUSEHOLDS APPLYING FOR HOUSING ASSISTANCE (City of Richmond) | | | | | | |
| Inventory of Non-Market Housing | 3,060 | 3,114 | 3,154 | 3,154 | 3,154 | 3,154 |
| Households Applying for Social Housing | 441 | 495 | 562 | 629 | 670 | 761 |
| Average Annual Increase | -- | 54 | 67 | 67 | 41 | 91 |
| Source: BC Housing, 2006 | | | | | | |