



To: Planning Committee **Date:** May 1, 2009

From: Andrew Nazareth **File:** 12-8060-20-8493/Vol 01
 General Manager, Business & Financial Services

Re: **Affordable Housing Strategy: Implementation Review and Housing Agreement Revisions**

Staff Recommendation

1. That Bylaw No. 8493 to amend the Richmond Zoning and Development Bylaw No. 5300 as outlined in Attachment 1 of the Staff Report dated May 1, 2009 from the General Manager of Business and Financial Services entitled "Affordable Housing Strategy: Implementation Review and Housing agreement Revisions" be introduced and given first reading.
2. That amendments to the Richmond Affordable Housing Strategy as outlined in Attachment 2 to the Staff Report dated May 1, 2009 from the General Manager of Business and Financial Services entitled "Affordable Housing Strategy: Implementation Review and Housing agreement Revisions", which include annual household income thresholds and permitted maximum rental rates and the methodology used to determine same both now and in the future, be approved as an Addendum to the original Richmond Affordable Housing Strategy.

Andrew Nazareth
 General Manager, Business & Financial Services
 (604-276-4095)

Att. 2

| FOR ORIGINATING DEPARTMENT USE ONLY | | | |
|-------------------------------------|---|---------------------------------------|---|
| ROUTED TO: | CONCURRENCE | CONCURRENCE OF GENERAL MANAGER | |
| City Clerk..... | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> | | |
| Development Applications | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> | | |
| Policy Planning..... | Y <input checked="" type="checkbox"/> N <input type="checkbox"/> | | |
| Law..... | 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

Staff have been implementing the Richmond Affordable Housing Strategy (the Strategy) since Council adoption in May, 2007. Through this initial stage of implementation, a number of items arose that could benefit from review and/or adjustments. The purpose of this Report is to put forward for first reading Bylaw No. 8493 which removes the template housing agreement from the Zoning and Development Bylaw and makes other associated changes; to seek approval for proposed amendments to the Strategy by way of an Addendum to the original Strategy; and to advise Council of other related work being undertaken on the Strategy.

Analysis

1. Bylaw No. 8493 to amend the Zoning and Development Bylaw

As staff began implementing the housing agreement, it became apparent that the document could benefit from review and amendment. Staff experienced several challenges with the housing agreement template, as well as with the legal ramifications of having the document embedded in the Zoning and Development Bylaw. In this process, staff sought and received feedback on the housing agreement and as a result of this consultation, staff reached the recommendations contained in this report.

First, staff are aware of several areas for refinement in the template housing agreement. As such, and in order to continue our pursuit of integrated affordable housing in multi-family developments, staff propose the following changes that will be brought forward to Council with each future individual housing agreement bylaw.

Ownership Details

The existing housing agreement provides that ownership of the low end market rental units be one owner for the block of units, regardless of the details of the rezoning application. Staff propose incorporating language into the housing agreement that will allow for alternate ownership options at the discretion of the City.

Statutory Declaration Requests

The existing housing agreement enables the City to request statutory declarations from both the landlord and tenant of the affordable unit up to four times per calendar year. Staff propose reducing this to once per year for the landlord, except when a breach in the housing agreement is perceived in which case there shall be no limitations on the City. In addition, staff are exploring acceptable alternatives to our requirement of obtaining statutory declarations from tenants, so as to prevent the low income tenants from incurring the related legal cost of this requirement. This may result in changes to the landlord statutory declaration.

Allowable Rental Increase & Adjustments to Income Thresholds

The City of Richmond's existing housing agreement for affordable units stipulates that the maximum annual rental increases to the original rent are to be limited to consumer price index (CPI) increases. Staff recommend changing this to CPI plus 2%. This is the methodology currently used by the Residential Tenancy Branch and is generally accepted practice in affordable housing.

Further, in order to maintain affordability of the units over the long term, staff recommend that annual household income thresholds also be allowed to increase annually by a maximum of CPI plus 2%.

Termination of Tenancies

The existing housing agreement stipulates that a tenancy of an Eligible Tenant must be terminated immediately when that tenant is no longer an Eligible Tenant. Staff recommend that a six month grace period be provided in instances when an eligible tenant becomes ineligible due to an increase in income while in occupancy of the unit.

Option to Purchase

The existing housing agreement grants the City a \$10 option to purchase the affordable housing unit at any time. Staff recommend that this clause be amended to allow an option to purchase the unit only in instances when the owner/landlord has:

- a) rented the affordable unit to an ineligible tenant and the landlord has not terminated the tenancy of the ineligible tenant within 90 days of receiving notice from the City, or such longer period as is required by Residential Tenancy Act; or
- b) rented the affordable unit to a tenant that has become a non Eligible Tenant and that tenant has not vacated within six months; or
- c) rented the affordable unit at a rate in excess of the allowable rental rate and does not reduce the rent and reimburse the difference, with interest, within a designated cure period.

Other legal remedies will be used for all other breaches of a housing agreement.

Second, in order to increase the City's ability to reach a housing agreement that can better meet the needs and requirements of the City and each individual development, staff recommend that the template housing agreement be removed from the Zoning and Development Bylaw, as proposed in Bylaw 8493 (Attachment 1). Each individual housing agreement bylaw, with complete and finalized housing agreement attached, will continue to be presented to Council for approval.

2. Proposed Amendments to the Richmond Affordable Housing Strategy

Staff propose to amend the Strategy by way of an Addendum, as shown in Attachment 2 and detailed below.

The housing agreement approved by Council in May, 2007 provided rent and income thresholds based on CMHC's Core Need Income Threshold (CNIT) data from 2003. The CNIT represents the income required to pay the average market rent for an appropriate sized unit in the private market. Originally, the rents and income thresholds were based on the average 2003 CNIT across unit types, and not on each individual unit type.

Staff have reviewed this approach and propose that increased equity can be achieved by using individual CNITs by unit type rather than using the average. In addition, we propose reducing the individual CNITs by 20% in order to target those in higher need. We have also obtained updated CNIT data (2006). Based on this updated technique and data, we propose the following updated rents and income thresholds:

| | Current | Proposed |
|---|------------------|------------------|
| Bachelor Maximum Rent/ Maximum Income Threshold | \$500 / \$23,000 | \$580 / \$26,000 |
| One Bedroom Maximum Rent/ Maximum Income Threshold | \$625 / \$28,000 | \$650 / \$30,500 |
| Two Bedroom Maximum Rent/ Maximum Income Threshold | \$750 / \$33,000 | \$770 / \$36,000 |
| Three Bedroom Maximum Rent/ Maximum Income Threshold | \$943 / \$37,700 | \$930 / \$42,000 |

These rents are affordable both from a market and from a core need income perspective. Staff therefore recommend the new rental methodology as well as the new rents and request that this new rental and income data form part of the amended Strategy.

In addition, the amendment to the original Strategy would also provide staff with the purview to adjust the household income thresholds and permitted rents based upon analysis of CNIT data, as is periodically released by CMHC. In the years that updated CNIT data is not released, the proposed amendment to the Strategy would allow staff to update the rents and income thresholds by CPI plus 2%. CNIT data will always supersede the CPI data in establishing rents and income thresholds, which may result in a decrease in either permitted rents or permitted household income thresholds from time to time. When this is the case, Council approval will be sought on the changes.

3. Information Items

Affordable Housing Strategy Implementation Review

In addition to the internal staff review of the Strategy as outlined in this report, an external review is also being conducted. Dana Westermarck of Oris Development Corporation has retained the

services of Dale McClanaghan (McClanaghan & Associates) to review certain aspects of the Strategy. Mr. McClanaghan was the consultant who assisted the City in adopting the Affordable Housing Strategy in May 2007. Specifically, this project will:

- update the affordable housing data using the latest census and Canada Mortgage and Housing Corporation (CMHC) information;
- re-examine the targets and projected supply of affordable housing in light of the changing economy;
- review the appropriateness of the various affordable housing contributions; and
- address some of the implementation issues developers have been facing in complying with Richmond's Affordable Housing Strategy

This study is being funded by Mr. Westermark through a grant from CMHC. Although City staff have been consulted on the terms of reference for this project and will be kept apprised of the results, it should be emphasized that this is not a City initiative. At the end of the process (which could take 1-2 months), it is expected that Mr. Westermark and Mr. McClanaghan will present their findings to a Committee of Council.

Single Family Rezoning Affordable Housing Interim Strategy

City staff are working on a response to a Council referral related to single-family development and the Strategy. Last year, the single-family home builders expressed concerns about the Strategy's requirement that a housing agreement be utilized to ensure the affordability of one out of every two secondary suites or coach houses that were going through the rezoning process. In response to these concerns, Council approved an Interim Affordable Housing Strategy for Single-Family Developments (the Interim Strategy) but directed that staff bring forward the final revisions necessary to the Strategy to a future Committee meeting.

Over the past year staff have been monitoring the Interim Strategy for Single-Family Developments. We have begun the public consultation process and have received feedback from the Richmond Community Services Advisory Committee and the Richmond University Women's Club. Staff will be discussing the Interim Strategy with some of the single-family home builders in Richmond as well as with the Greater Vancouver Home Builders Association. It should also be noted that Mr. Westermark's study will include the single-family residential sector in its analysis.

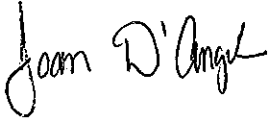
City staff expect to bring their report on the necessary revisions to the Affordable Housing Strategy for single-family developments to Council in the next few months. In the meantime, the Interim Strategy continues to be used and seems to be working well.

Financial Impact

There is no financial impact.

Conclusion

Through the initial implementation stages of the Richmond Affordable Housing Strategy, staff became aware of required adjustments in order to increase the effectiveness of the Strategy. Staff recommend the introduction and first reading of Bylaw No. 8493 which removes the template Housing agreement from the Richmond Zoning and Development Bylaw as well as makes other related affordable housing changes and references. Staff further recommend that amendments to the Affordable Housing Strategy by way of Addendum be approved.



Joan D'Angola
Affordable Housing Coordinator
(604-247-4946)

JD:



Richmond Zoning and Development Bylaw 5300
Amendment Bylaw 8493
(Housing Agreement Amendment –
Affordable Housing Strategy)

The Council of the City of Richmond, in open meeting assembled, enacts as follows:

- 1. Richmond Zoning and Development Bylaw 5300 is amended as follows:
(a) The existing definition of "Affordable Housing Unit" in Section 104 is repealed and replaced with the following definition:
"Affordable Housing Unit" means a dwelling unit that is subject to a housing agreement.
(b) The existing definition of "Housing Agreement" in Section 104 is repealed and replaced with the following definition:
"Housing Agreement" means an agreement in a form satisfactory to the City that limits the occupancy of the dwelling unit that is subject to the agreement to persons, families and households that qualify for affordable housing based on their household income level, that restricts the occupancy of the dwelling unit to rental tenure, and that prescribes a maximum rental rate and rate of increase of rental rate for the dwelling unit.
(c) "Schedule A to Division 200 – Housing Agreement" is repealed.
2. This Bylaw may be cited as "Richmond Zoning and Development Bylaw 5300, Amendment Bylaw 8493".

FIRST READING

PUBLIC HEARING

SECOND READING

THIRD READING

ADOPTED

Five horizontal lines for recording readings and adoption.



MAYOR

CORPORATE OFFICER

Richmond Affordable Housing Strategy
Addendum No. 1
(Date Council Approved)

That the Richmond Affordable Housing Strategy, approved by Council on May 28, 2007, be amended as follows:

1. Annual Income Thresholds

The annual income thresholds as shown on Table 1 be used to determine who qualifies for affordable housing and be included in the housing agreement used to secure the use and occupancy of the affordable housing units.

2. Maximum Permitted Rents

The maximum permitted rent as shown on Table 1 be used to determine the permitted rent originally used for affordable housing and be included in the housing agreement used to secure the use and occupancy of the affordable housing units.

3. Future Adjustments to Annual Income Thresholds and Maximum Permitted Rents

Staff adjust the annual income threshold and maximum permitted rent for affordable housing shown on Table 1 once every calendar year based on the following data sources and use the adjusted information in any housing agreements brought forward after the date of adjustment and advise Council accordingly:

Primary Data Source: staff analysis of updated Core Need Income Threshold (CNIT) and/or other applicable data produced by the Canada Mortgage and Housing Corporation (CMHC) in years when it is released.

Secondary Data Source: the All-Items Consumer Price Index (CPI) for Vancouver for the previous calendar year plus 2% in years when the CNIT and/or other applicable data from CMHC is not released.

Table 1: Annual Income Thresholds and Maximum Permitted Rents for Affordable Housing as Adjusted by City Staff from time to time

| Table 1: Annual Income Thresholds and Maximum Permitted Rents for Affordable Housing as Adjusted by City Staff from time to time | |
|---|---|
| Annual Income Thresholds | |
| Affordable subsidized rental housing | Households with an annual income of less than \$26,000 |
| Affordable low end market rental housing | Households with an annual income of between \$26,000 and \$42,000 |
| Affordable entry level ownership housing | Households with an annual income of less than \$60,000 |
| Maximum Permitted Rents | |
| Bachelor suite | \$580 a month (e.g., for eligible tenant having an annual income threshold of \$26,000 or less) |
| One bedroom suite | \$650 a month (e.g., for eligible tenant having an annual income threshold of \$30,500 or less) |
| Two bedroom suite | \$770 a month (e.g., for eligible tenant having an annual income threshold of \$36,000 or less) |
| Three bedroom suite | \$930 a month (e.g., for eligible tenant having an annual income threshold of \$42,000 or less) |