



City of Richmond

Report to Committee

To: Planning Committee **Date:** June 27, 2016
From: Cathryn Volkering Carlile **File:** 08-4057-01/2016-Vol
01
 General Manager, Community Services
Re: **Request from Habitat for Humanity for Development Cost Charge Grant from
the Affordable Housing Reserve Fund**

Staff Recommendation

1. That \$134,538 be paid to the Habitat for Humanity Society of Greater Vancouver towards development cost charges associated with the six (6) affordable homeownership units and six (6) affordable secondary rental suites located at 8180 Ash Street; and
2. That the 5-Year Financial Plan (2016-2020) be amended to include an additional \$134,538 from the Affordable Housing Capital Reserve Fund for the City's grant towards the development.

Cathryn Volkering Carlile
 General Manager, Community Services
 (604-276-4068)

Att. 1

REPORT CONCURRENCE		
ROUTED TO:	CONCURRENCE	CONCURRENCE OF GENERAL MANAGER
Finance Department	<input checked="" type="checkbox"/>	
Development Applications	<input checked="" type="checkbox"/>	
Law	<input checked="" type="checkbox"/>	
REVIEWED BY STAFF REPORT / AGENDA REVIEW SUBCOMMITTEE	INITIALS: DW	APPROVED BY CAO

Staff Report

Origin

The purpose of this report is to recommend that Council approve a payment of \$134,538 to the Habitat for Humanity Society of Greater Vancouver towards the development cost charges associated with the provision of six (6) affordable homeownership units and six (6) affordable secondary rental suites located at 8180 Ash Street.

This report supports Council's 2014-2018 Term Goal #2 A Vibrant, Active and Connected City:

Continue the development and implementation of an excellent and accessible system of programs, services, and public spaces that reflect Richmond's demographics, rich heritage, diverse needs, and unique opportunities, and that facilitate active, caring, and connected communities.

2.2. *Effective social service networks.*

This report also supports Council's 2014-2018 Term Goal #3 A Well-Planned Community:

Adhere to effective planning and growth management practices to maintain and enhance the livability, sustainability and desirability of our City and its neighbourhoods, and to ensure the results match the intentions of our policies and bylaws.

3.4. *Diversity of housing stock.*

This report also supports the Social Development Strategy Goal #1: Enhance Social Equity and Inclusion:

Strategic Direction #1: Expand Housing Choices

Analysis

On July 13, 2015, Council approved the issuance of a Development Variance Permit to permit the subdivision of 8180 Ash Street into six (6) lots zoned "Single Detached (RS1/b)" for the purpose of developing single-family dwellings. The lots are proposed to include six (6) single-family affordable homeownership homes and six (6) secondary suites for affordable rental.

Habitat for Humanity Request

Habitat for Humanity has submitted a written request to the City (Attachment 1) for a grant from the Affordable Housing Capital Reserve Fund to cover the development cost charges associated with the affordable housing project. It is anticipated the grant would be paid out prior to filing of the subdivision plan. Prior to providing the DCC grant, the City will give notice of assistance through publication in local newspaper as may be required under the *Community Charter*. The cost breakdown is as follows:

Costs	Amount
City Development Cost Charges	\$124,298
Greater Vancouver Sewerage and Drainage Fees	\$5,385
School Site Acquisition Charge	\$3,475
Address Assignment Fee	\$1,380
Total	\$134,538

Policy 5008 – Affordable Housing Reserve Funds Policy

At the discretion of Council, funding from the Affordable Housing Reserve Fund can be allocated towards projects that meet the specific housing and support needs of priority groups. The purpose of the Affordable Housing Reserve Fund Policy (Policy 5008) is to address affordable housing needs through planning, partnering and supporting a range of affordable housing development opportunities as resources and budgets become available.

The Affordable Housing Reserve Fund established by Bylaw 7812 may be used for capital expenditures, including providing fiscal relief (i.e. development cost charges, costs related to the construction of infrastructure to service the land, and development application and permit fees) to eligible non-profit housing providers for the purchase or development of subsidized rental units.

Habitat for Humanity Model

Habitat for Humanity's affordable housing project model addresses the objectives of the Affordable Housing Strategy, which identifies the three priorities as:

1. Subsidized rental housing – for households earning \$34,000 or less;
2. Low end market rental housing – for households earning between \$34,000 or less and \$57,000 or less; and
3. Entry-level homeownership – for households earning \$60,000 or less.

The model primarily addresses Priority #3, but depending on the household's income level, the affordable secondary rental suites meet the goals of Priority #1 or #2. Habitat for Humanity's model also responds to the Social Development Strategy Action 1.3, which is "enhancing policies and mechanisms for facilitating affordable homeownership in Richmond".

Habitat for Humanity has provided the following details of their operating model:

- The society works with community support and partner families to build safe, quality homes;
- Habitat partner families contribute 500 hours of "sweat equity" into building their home as their down payment. Families pay an interest free mortgage inclusive of taxes and

home insurance that is tailored to be no more than 30% of their annual gross household income.

- The money collected from the mortgage payments is deposited into Habitat for Humanity’s Building Fund, which is leveraged to build additional homes for other partner families, while simultaneously building a savings fund for the partner to be used in the traditional mortgage market.
- The home remains within the Habitat for Humanity inventory and when the initial owner (partner family) decides to sell the home, the unit will return to Habitat for Humanity to be used by another eligible family. The next family will also pay 30% of their income towards the mortgage. This model secures affordability for the subsequent purchasers, not just the initial buyer.
- The affordable secondary rental suites located in each home will provide the owners of the affordable homeownership units with a revenue stream. The selection criteria and rental cost threshold (e.g. tenants will not pay more than 30% of their household income on rent) will also be administered by Habitat for Humanity. Prior to subdivision, Habitat for Humanity is required to register a legal agreement on title to ensure the secondary suite is constructed on each lot.

To ensure the units remain affordable in case the program cannot be continued, there is an Affordable Housing Agreement registered on title in favour of the Provincial Rental Housing Corporation (BC Housing’s holding company) for the site. The Affordable Housing Agreement includes an option to purchase, which functions as the mechanism to secure affordability. The agreement ensures that ownership of the site remains with an agency that is committed to the long term provision of affordable housing. The agreement also defines the terms by which the Provincial Rental Housing Corporation (BC Housing’s holding company) would reclaim ownership of the site, and sets out the eligibility criteria for future home owners.

Program Proposal Evaluation

Although Habitat for Humanity’s model is a slight deviation from the proposals that would normally be considered under the Affordable Housing Reserve Fund Policy (e.g. the single family homes will be sold to qualified applicants and the non-profit organization will not retain ownership of the homes), staff recommend Council approve this request as the proposed housing model meets the intent and purpose of the policy to generate safe, affordable and appropriate housing to meet priority needs and existing gaps in Richmond.

The Affordable Housing Reserve Fund Policy identifies information required from project proposals. Below is a chart demonstrating how the proposed model responds to the policy criteria’s key themes.

Criteria	Proposed Model
Client Group	Low to moderate income families
Anticipated Client Income Levels	Habitat for Humanity sets annual income thresholds as part of their eligibility criteria: <ul style="list-style-type: none"> • Affordable homeownership - \$35,000 to \$65,000 • Affordable rental - \$25,000 to \$35,000

Criteria	Proposed Model
Tenure type	<ul style="list-style-type: none"> • Mixed – affordable homeownership and affordable rental • Based on rent-geared-to-income (RGI) model where partner families do not spend more than 30% of their income on housing costs
Number of Units	12 units – six (6) affordable homeownership single family homes and six (6) affordable rental secondary suites <ul style="list-style-type: none"> • The affordable homeownership units are all 3-bedroom (including one accessible unit) • The secondary suite units are all 2-bedroom
Selection Process	Habitat for Humanity sets the following eligibility requirements for their selection process: <ul style="list-style-type: none"> • Families must be employed (at least one member) • Families must put in 500 hours of “sweat equity” • Families must be living in “sub-standard” accommodation – defined as overpriced, overcrowded, unhealthy and/or unsafe • Families must be within the income thresholds • Families households will be evaluated based on need
Community Benefits	<ul style="list-style-type: none"> • Homes remain affordable for the long-term, as the homes are re-sold to eligible partner families

Since the Affordable Housing Strategy (AHS) was adopted in 2007, there have been 19 affordable homeownership units secured in one development. As the City’s priority has been to focus funding and policy efforts on the increasing need for subsidized and low-end market rental options, there have not been enough resources to dedicate towards a comprehensive affordable homeownership program. This model will address the need for affordable homeownership options, while also providing opportunities for affordable rental at the subsidized rental level.

Rationale for Funding Support

- The project is 100% affordable housing and non-profit driven. This is similar to the Kiwanis Towers and Storeys development projects, where the City provided a grant to offset the costs of the development cost charges, permit fees and servicing costs. If considered as a single family rezoning by a private applicant, the site would have been required to provide built secondary suites or a mix of built suites and cash-in-lieu. However, rents for secured secondary suites are not restricted under current AHS requirements. In the Habitat model, all of the units (including the secondary suites) are affordable.
- The projected rents and mortgage payments will not exceed 30% of the household’s income. This model is increasingly becoming rare in the current housing context due to a decrease in senior government operating funding and subsidy.
 - The rents for the secondary suites range from \$625 to \$875 per month, depending on household income. Most of the households would benefit from rents that are lower than City’s subsidized rental rate of \$850/month for all unit types.
 - The mortgage payments for the single-family homes range from \$875 to \$1,625 per month, which is comparable to the range of the City’s stipulated low-end market rental maximum rent amounts in the current AHS.

- The City has focused the majority of its resources on providing funding towards affordable rental housing – this project presents an opportunity to increase the number of affordable homeownership units (currently 19 units) and the number of secondary suites (currently 165 units) in Richmond.

Financial Impact

The funds requested would be covered by the City's Affordable Housing Capital Reserve Fund. The payment would be completed through an internal transfer from the Affordable Housing Capital Reserve Fund directly towards the City DCC portion, and the other fees would be paid on behalf of Habitat for Humanity. An amendment to the 5-Year Financial Plan (2016-2020) is required for the grant of \$134,538.

Conclusion

The City recognizes that providing a range of affordable and diverse housing types for residents is an important element of creating a livable community. The main objective of the AHS is to ensure that the City is successful in providing housing options for households of different ages, family types, and incomes. Metro Vancouver estimates that over the next ten years, there will be a need for 1,040 ownership units (including affordable homeownership) and 180 units of low-income rental housing annually. The Habitat for Humanity project is one step in addressing this need to generate housing options for a diverse population.



Joyce Rautenberg
Affordable Housing Coordinator
(604-247-4916)

Att. 1: Written Request from Habitat for Humanity Society of Greater Vancouver



City of Richmond

Mayor and Council

Re: Affordable Housing Reserve Fund

Habitat for Humanity Greater Vancouver – Ash Street Build, Richmond BC

Dear Mayor and Council;

Nestled in the City of Richmond, our plans in 2016/17 will see us build 6 single family homes, each with a rental suite. This project will welcome 12 new Habitat partner families, 6 as home owners and 6 as renters, and increase our overall provision of shelter by 43%. The secondary suite inclusion represents a new model for Habitat for Humanity Greater Vancouver and is our way of creatively addressing the incredible need for affordable, stable shelter in our cities.

The design for this project represents a community feel where shared pathways, gardens and a playground help create a sense of cohesion and belonging amongst the partner families.

Habitat for Humanity has a unique way of building homes for our partner families. The uniqueness evolves from the magic that happens when a committed group of corporate and personal donors collaborate with enthusiastic volunteers. Our Ash Street project will be based on the same construction format as the Government Street build in Burnaby (27 unit townhouse complex completed in 2013) with a significant amount of our labour force being augmented by community volunteers.

- *Our Habitat build sites are run by professional project managers and site superintendents with construction experience.*
- *We use contracted trades for major components of our builds such as foundation work, mechanical, electrical, and drywall.*
- *In order to enhance the experience and manage the work shifts a volunteer coordinator is assigned to the project.*

Currently our consulting services are covered through generous donations from Abbarch Architecture and PWL Partnerships Landscape Architects, RJC Engineering, WSP, Kryton, Pacific Geotech, Avram Homes and Mathers Bulldozing. We are actively pursuing numerous prospects for donation of product and services to decrease construction costs.

Gift In Kind donations help significantly reduce our cost and are tax receiptable. Cash donations from the community allow us to cover hard costs and ensure that qualified tradesmen are on site at all times to work alongside volunteers and complete the homes in a

timely and efficient manner.

Overall Construction Cost – Ash Street, Richmond BC (without Gift In Kind labour)

8180 Ash Street Land	\$397,000
8180 Ash Street Construction Cost : 10,950 square feet @ \$186.00 per square foot	\$2,036,700
\$275,000 per unit – one homeowner family and one rental family per unit	
Overall Budget	\$2,433,700

Through our model of no down payment, no interest mortgage, and principal only payments set at 30% of their gross household income (inclusive of property taxes and house insurance), families are swiftly on a path to success. This includes the rental families for each of the homes as they are also Habitat chosen families. Through the inclusion of rentals in this project, we are able to expand our reach into a lower income demographic that could include seniors and disabled youth.

All Habitat partner families committ to 500 hours of volunteer time for their home. All mortgage contributions are held by Habitat and returned to them as a cash lump sum when they decide to move into the traditional housing market. We buy the home back from them for the cost of that equity contribution. *Habitat for Humanity retains legal right of first buyback on the homes to ensure that, once built, they remain in the affordable home ownership pool. Families do not benefit from market housing windfalls.* Their take away is the equity contribution that they have made during their tenure as a Habitat Partner family.

Habitat for Humanity homes represent a permanent solution to an unhealthy and uncertain housing situation for our partner families. The cycle of poverty is broken. The impact of partnership will be felt for years to come as current families succeed and move on to the traditional mortgage market and new partner families come to benefit from a Habitat home. It is a fact that once our families have secure tenure in safe, modest and decent housing, their health, education and well being consistently improves.

To date, through the Habitat model in Vancouver, we have seen 5 of our 31 families successfully transition into the traditional market thus adding to the number of families we have served and can now serve. As the home remains in the Habitat inventory, there is now no cost when bringin in a new family. Our first set of 6 habitat families came on board in 2001 with our newest 2 families joining us in August 2015. There is much national proof that our program is effective and achieves our goal of providing a “hand up” and not just a “hand out”. We are now excited to be witnessing it locally, in the world’s second most expensive housing market.

A number of Richmond families have been selected and have started, and in some cases completed, their sweat equity hours and are now eagerly anticipating the building of their homes.

Our project is currently in the final stages of Building permit approval which we anticipate being ready for the end of June, concurrent to the finalization of the servicing agreement and filing of the subdivision on title.

Our biggest expense at this time is the Letter of Credit for the City of Richmond, required as a bond for the Servicing agreement, totalling over \$200,000 and the payment of our DCC and utility fees to the City of Richmond in order to receive our Build Permits. This totals \$133,000.

As I am sure you can imagine, as a non-profit, having over \$330,000 in donor money tied up and thus limiting our cash flow poses a significant challenge for us. From the donor perspective, the optics are also challenging. As we are reaching out to the community for donation of services and funds, they are looking to the City to be a leader and also contribute to supporting this affordable housing in their community.

We understand that the Municipal Act prohibits the waiving of fees for land not owned by the municipality. As an alternative solution, we are requesting a grant from the City of Richmond Affordable Housing Reserve Fund for \$134,537.65. This grant would then be directly returned to the City of Richmond to cover Development Cost Charges, School Site Acquisition Charge, Address Assignment Fee and Greater Vancouver Sewerage and Drainage Fees. The DCCs on their own are \$124,297.65.

Through this process, the City of Richmond becomes an active partner in the Habitat for Humanity build to provide affordable home ownership and rental opportunities to Richmond citizens, helping to address the Affordable Housing Mandate of the Municipality.

With our build commencement imminent and many volunteer groups ready to help and financially contribute to do so, your kind consideration is paramount to our success and ability to begin construction.

We are grateful for the hard work of all staff and committees to this point and look forward to a continued partnership in our work to address the shortage of affordable housing for working families in Vancouver.

With deep appreciation,



Stephani Samaridis
Director of Operations
Habitat for Humanity Greater Vancouver
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cc: CEO and Board of Directors