



# City of Richmond

## Report to Committee

**To:** Planning Committee **Date:** June 1, 2016  
**From:** Cathryn Volkering Carlile **File:** 08-4057-01/2016-Vol  
General Manager, Community Services 01  
**Re:** **Affordable Housing Strategy Update - Affordable Homeownership Policy  
Information Backgrounder**

### Staff Recommendation

That the staff report titled "Affordable Housing Strategy Update – Affordable Homeownership Policy Information Backgrounder," dated June 1, 2016 from the General Manager, Community Services, be received for information.

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

Att. 1

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

## Staff Report

### Origin

The purpose of this report and accompanying informational backgrounder (Attachment 1) is to provide Council with information on other models and practices from jurisdictions in Canada and the United States relating to securing affordable homeownership units.

The information backgrounder will be considered, along with the findings from the completed Community Profile (anticipated to be completed in Fall 2016), as part of the Affordable Housing Strategy update to re-examine and develop policy that addresses current housing needs and challenges in Richmond.

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*

### Background

The Affordable Housing Strategy (AHS), adopted by Council on May 28, 2007, was first created to respond to residents' need for access to safe, affordable and appropriate housing. The central focus of the AHS is to ensure that the City is successful in providing a range of housing options for households of different ages, family types and incomes. The AHS identifies three priority areas:

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.

## Analysis

### Affordable Housing Strategy Update

To begin the Affordable Housing Strategy update process, staff presented data and statistics with respect to housing need and affordability to Council on March 14, 2016 as part of Phase 1 (Community Profile). To supplement the statistics, staff are undertaking consultation work with the public and key stakeholders to generate a greater understanding of the challenges individuals and households face when accessing housing in Richmond. With respect to identifying the need for affordable homeownership options, staff are engaging the development industry and non-profit housing providers to identify potential challenges and opportunities for developing feasible affordable homeownership programs. Feedback from these community engagement initiatives will be collated with the statistical information into a comprehensive Community Profile for Council consideration this fall.

Figure 1: Affordable Housing Strategy Update Timeline



Staff have also compiled preliminary research on various housing policies and practices that is anticipated to inform Phase 2. Specifically with low-end market rental housing, staff have been tracking Council referrals, noting Council preferences, compiling comments/concerns from the development community and monitoring households and client groups that could benefit from increased rental supply. Staff will utilize this information along with the Community Profile findings to re-visit and develop policies that are tailored to a Richmond-specific housing context.

### Entry Level (Affordable) Homeownership

Entry level homeownership refers to modest housing units that are affordable for first-time homebuyers. In other jurisdictions, these initiatives are often referred to as “affordable homeownership” with the objective of creating housing units that remain affordable in perpetuity.

#### *Affordable Homeownership Successes in Richmond*

Since adoption of the AHS in 2007, the City has been successful in securing 19 entry level homeownership units. In exchange for the 19 entry level homeownership units, the developer was given a density bonus (0.07 FAR) to accommodate smaller units and increase affordability. The City is able to provide some support to entry level or affordable housing initiatives by encouraging:

- The construction of smaller units to make homeownership more affordable, and

- Innovative new housing forms and financing structures.

### *Affordable Homeownership Challenges in Richmond*

Without significant or guaranteed funding, it can be challenging for municipalities to take on the cost of managing and administering a homeownership program on its own. Due to responding to the increasing need for subsidized rental and low-end market rental, the City has not had enough resources to put towards developing a comprehensive affordable homeownership program.

With respect to affordable homeownership opportunities in Richmond, the increasing cost of ownership prices relative to average income make homeownership increasingly challenging to obtain. For example, from 2005 to 2015, the benchmark price of apartments has increased by 48%, townhomes by 76%, and single detached houses by 131%. Figure 2 illustrates the minimum annual income necessary to purchase a housing unit in Richmond based on a gross-debt-service (GDS) ratio of 32%.<sup>1</sup> The annual income necessary to purchase a typical unit in Richmond significantly exceeds median household income (\$60,479). Saving for a down payment can be a barrier for many first-time homebuyers. It can be assumed that some households will not be able to provide a 20% down payment and will require a higher annual income to support a larger mortgage.

Figure 2: Annual Incomes Necessary for Homeownership in Richmond with 32% GDS by Unit Type

Housing Type	Benchmark Price	Down Payment	Annual Income Necessary with 32% GDS Ratio
Single Detached	\$ 1,413,500	5%	*see footnote 1
		10%	
		20%	\$ 206,576
Townhouse	\$ 631,600	5%	\$ 115,181
		10%	\$ 109,463
		20%	\$ 98,030
Apartment	\$ 404,700	5%	\$ 76,160
		10%	\$ 72,497
		20%	\$ 65,171

### Highlights from Case Studies

Homeownership affordability is an issue shared by many jurisdictions, especially in Metro Vancouver. Preliminary research reveals six key elements in successful municipal affordable homeownership programs:

<sup>1</sup> Calculations are made with the following assumptions. The purchase price is the benchmark price for the Richmond housing market, set by the Real Estate Board of Greater Vancouver, March 2016 Home Price Index. The mortgage amount is calculated with a 25 year amortization period with a 5 year fixed interest rate of 3.19% and bi-monthly payments. The strata fees are calculated as 50% of an assumed median strata fee of \$300. Heating costs were assigned a price of \$25 monthly, and \$50 for a single detached unit.

1. Senior government funding – significant investments from federal and provincial/state funding help local municipalities create affordable homeownership initiatives, such as down payment assistance programs.
2. Administrative capacity – sufficient administrative capacity is necessary to help manage and oversee programs, including re-sale restrictions, down-payment assistance, and maintaining a waitlist for eligible households.
3. Restrictions on resale – restrictions on resale ensure that the units will remain affordable for future owners.
4. Owner occupancy – this ensures that units are not used as investment property.
5. Income or asset restrictions on participation – this ensures that an appropriate priority group is targeted for homeownership support.
6. Financial support to eligible households – saving for a down payment is the largest barrier for first time home buyers. Down payment assistance, in the form of a repayable zero or low interest loan, helps transition moderate income households from renting into ownership.

### **Next Steps**

Although the responsibility of providing affordable housing largely rests with senior governments, 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.

Phase 2 (Policy Review) of the Affordable Housing Strategy update will examine how the City can encourage an increasing supply of housing options, including the provision of affordable homeownership. Affordable homeownership is an important part of the housing continuum, as it provides increased security of tenure for households and reduces pressure on other housing (non-market or low-end market rental) by transitioning moderate income households from rental to ownership. Staff will review the key elements from the research and explore the feasibility of an affordable homeownership program in Richmond. Available resources, potential for senior government involvement and engage stakeholders will also be considered when developing policy recommendations for Council consideration.

### **Financial Impact**

None.

### **Conclusion**

With Metro Vancouver's estimation of 1,040 ownership (including affordable homeownership) units needed annually in Richmond over ten years, it is timely to review the successes and challenges of the current affordable homeownership policy. A thorough analysis, combined with the complete Community Profile, will generate policy recommendations that respond to current housing need and identify opportunities for creating more affordable homeownership units. Encouraging more affordable homeownership opportunities will help generate a full range of housing options to meet the needs of a diverse population.

June 1, 2016

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A handwritten signature in black ink, appearing to be 'JR' followed by a long, sweeping horizontal stroke.

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

Att. 1: Draft Policy Backgrounder – Affordable Homeownership



City of Richmond

**DRAFT**

# **Affordable Housing Strategy Update Policy Backgrounders**

**Part 3 – Affordable Homeownership**

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# 1. Introduction

Housing affordability continues to be a critical issue both regionally and at the local level. Richmond's *Affordable Housing Strategy* (AHS), adopted by Council in 2007, is currently being updated to reflect current and future needs of the community and to align with regional housing goals. Central to the update process is a review of the AHS's three priority policy areas: subsidized housing, low-end-market-rental and entry level homeownership.

This report responds to the third priority, entry level homeownership, and is part of a series of policy backgrounders intended to inform and help frame the policy review by providing:

- A definition of housing affordability and entry level homeownership;
- An overview of senior government policy context regarding entry level homeownership;
- Richmond's current policy context and the role of homeownership in the City's housing continuum;
- A snapshot of housing affordability for Richmond homeowners and renters; and
- An overview, including key common elements, of existing programs aimed at encouraging entry level or affordable homeownership undertaken by other jurisdictions.

## 1.1 What is Affordable Housing and Affordable Homeownership?

The Canada Mortgage and Housing Corporation (CMHC) provides a commonly accepted measurement for households based on a ratio of housing costs to gross income. According to this measurement, renter households should not spend more than 30% and owner households should not spend more than 32% of their before tax income on housing costs. Owners' gross-debt-service (GDS) ratio includes applicable strata fees, homeownership insurance and heating costs and therefore their GDS is slightly higher than that for renters.

Entry level homeownership is a term that often refers to modest housing units that are affordable for first-time homebuyers. In other jurisdictions, these programs are usually referred to as 'affordable homeownership' and often help to create housing stock that is affordable in perpetuity through resale restrictions. For the purposes of this document, the research focuses on approaches to secure affordable homeownership units. Affordable homeownership is seen as providing a range of benefits including:

- Increased security of tenure for households;
- Reduced pressure on other non-market or low-end-market housing by transitioning moderate income households from rental into ownership units;
- Support for economic growth by providing local workers and residents with local housing options;
- Reduced pressure on urban sprawl and traffic congestion by ensuring households can afford homeownership without commuting from outside municipalities for work; and
- Social diversity by allowing moderate income household to purchase housing units within their community.

## 2. Policy Context

### 2.1 Federal Government

The Federal Government's role in supporting affordable homeownership is primarily focused on mortgage and tax relief/incentives for first time homeowners who may experience barriers to enter into the housing market. Currently, CMHC has a number of initiatives that support first time homeowners obtain a mortgage. These include, but are not limited to *CMHC Mortgage Loan Insurance*, which allows households to purchase a mortgage with a minimum down payment of 5% while protecting lenders against mortgage default; *First Time Home Buyer's Tax Credit*, which provides federal tax relief for closing costs associated with buying a home; and the *Home Buyers' Plan*, which allows any first time homebuyer to withdraw savings from their *Registered Retirement Savings Plan* to purchase a home without paying income tax on the withdrawal.

In response to the high demand for affordable housing across the country, the Federal Government's recent budget increased funding to \$504 million over the next two years under the Investment in Affordable Housing initiative including affordable homeownership programs

### 2.2 Provincial Government

In 2014, the Provincial Government released its updated housing strategy, *Housing Matters BC*. This strategy states that homeownership is an "important investment towards financial security, wealth generation, and retirement savings," and recognizes that achieving this investment is a growing difficulty for low and moderate income households. The provincial government facilitates affordable homeownership through the *First-Time Home Buyers' Program*, which reduces the amount of property transfer tax households pay on their first home purchase.

### 2.3 Metro Vancouver Regional District

*Metro Vancouver 2040 – Shaping Our Future* (2011), the Regional Growth Strategy, provides the overall growth management framework for Metro Vancouver. In addition to coordinating regional land use, transportation planning, and directing future growth to urban centres, it provides direction for the provision of affordable housing. The Regional Growth Strategy states that the provision of new affordable rental and ownership units to meet demand of households with 80% and greater of median income is an important aspect to creating complete communities. In supporting the regional growth strategy, municipalities are required to develop local Housing Action Plans, which will play an important role in implementing regional goals, including affordable homeownership, to provide diverse and affordable housing choices. Metro Vancouver estimates that Richmond will need to provide an average of 1,040 homeownership units annually for the next ten years, including affordable homeownership options.

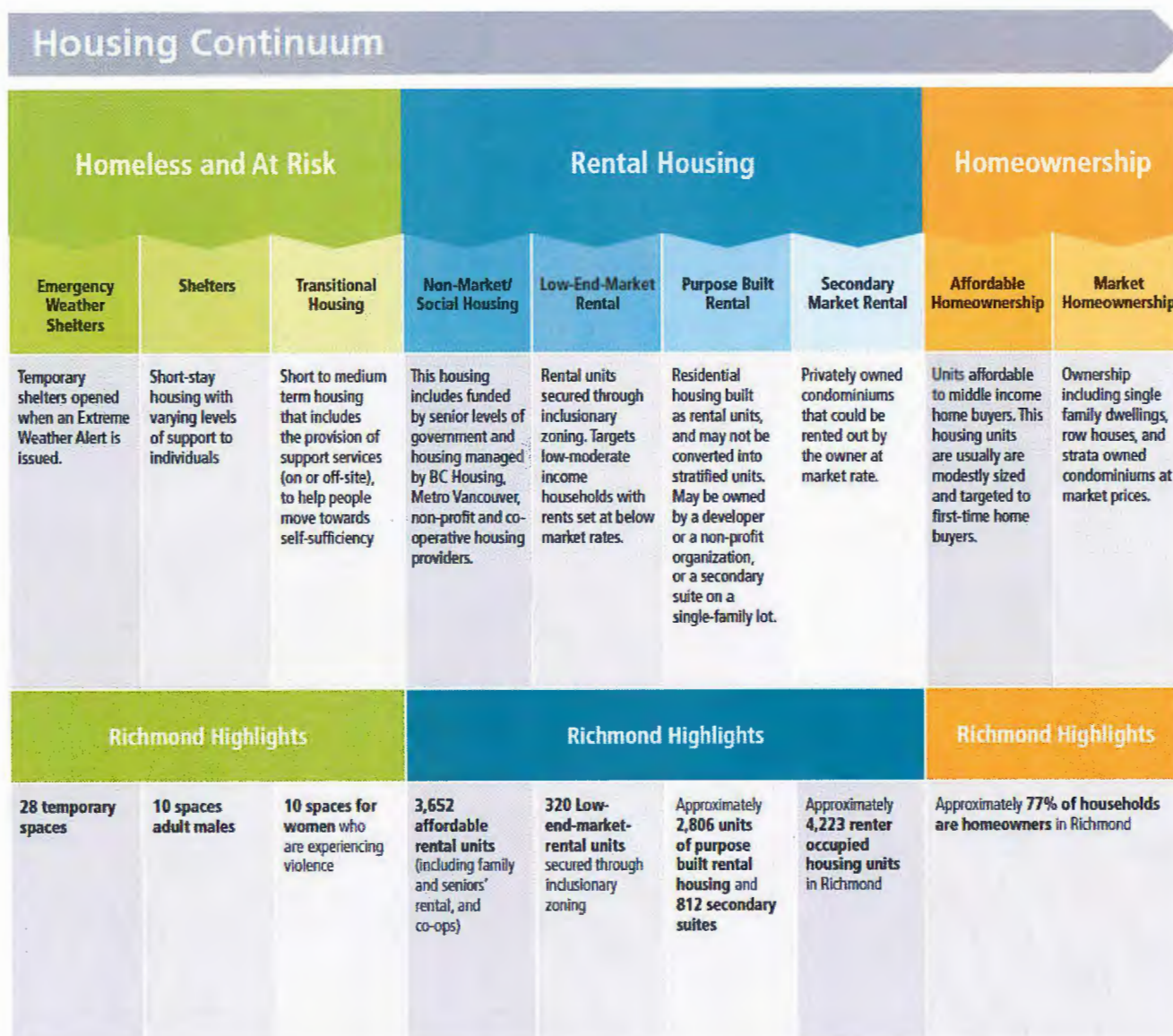
## 2.4 City of Richmond

Although the mandate to provide affordable housing is the primary responsibility of senior governments, the City of Richmond has long acknowledged that providing a range of affordable and diverse housing types for residents is an integral part of creating a liveable community. The City acknowledges that it cannot solve local affordable issues on its own but can play a role in partnership with senior levels of government, and the private and non-profit sectors.

An important element of the existing AHS is the housing continuum highlighted in Figure 1. The continuum identifies the range of housing choices including ownership and rental, as well as government supported housing such as public, non-profit, co-op and emergency shelters. Ideally in any community, options along the housing continuum should be available for those who need them.



**Figure 1: Richmond's Housing Continuum**



Currently the City has identified entry level homeownership as Priority #3 of the AHS. To respond to this priority, the City encourages:

- the construction of smaller units to make homeownership more affordable;
- innovative new housing forms and financing structures; and
- developers to build entry level homeownership for households with an annual income less than \$60,000.

Since 2007, the City in partnership with the private and non-profit sectors has been able to secure 19 units for entry level homeownership. In exchange for the 19 entry level homeownership units, the developer was given a density bonus (0.07 FAR) to accommodate smaller units and increase affordability. These units were not subject to a housing agreement and did not have restrictions on the resale price, therefore were not necessarily sold to households below the identified income thresholds. As such, these units did not secure affordability for future owners.



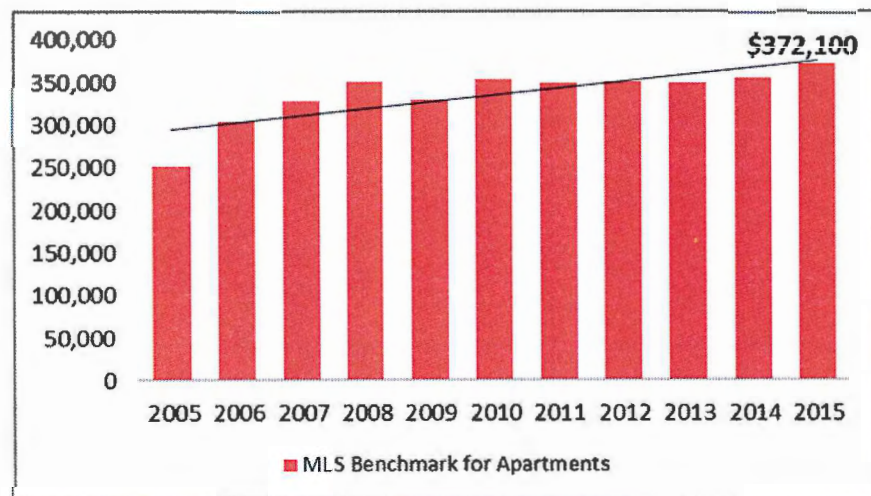
### 3. Homeownership in Richmond

In 2001, 70.9% of all households owned their property in Richmond (2001 Census). In 2011, 77.1% (52,420) of households in Richmond were owners, while 22.9% (15,555) were renters. In comparison, Richmond had a higher percentage of owner households than the City of Vancouver (48.5%) and Metro Vancouver (65.4%) (2011 NHS). Although there is no more recent data, it can be assumed that Richmond may currently have a greater percentage of owner households.

#### 3.1 Housing Prices

The benchmark price of housing units in Richmond has been steadily increasing from 2005 to 2015. Specifically the benchmark price of apartments has increased by 48%, townhomes by 76%, and single detached houses by 131% (Real Estate Board of Greater Vancouver, 2015). Figures 2 – 4 demonstrate the increase in benchmark price for an apartment, townhouse and single detached housing unit based on the home price index used by the Vancouver Real-Estate Board, 2005-2015.<sup>1</sup>

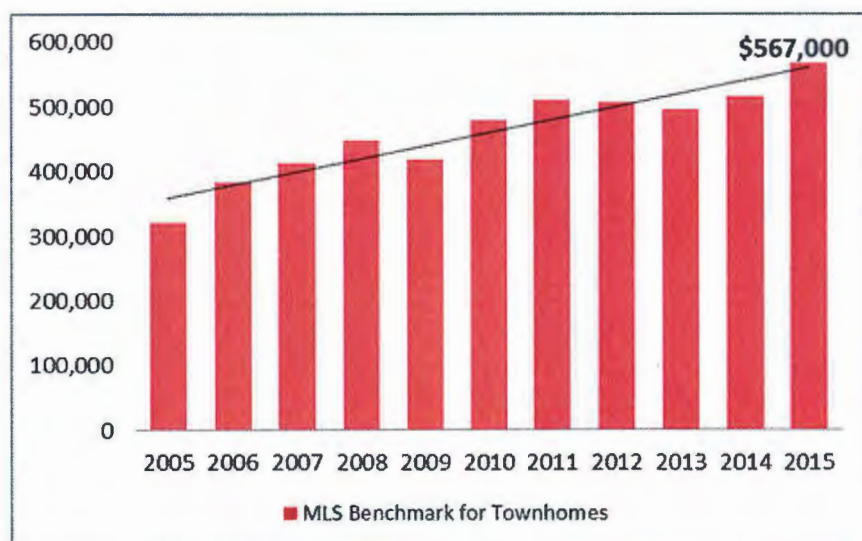
**Figure 2: MLS Benchmark Price for Richmond Apartments, 2005-2015**



Source: Real Estate Board of Greater Vancouver. July 2015, MLS Home Price Index.

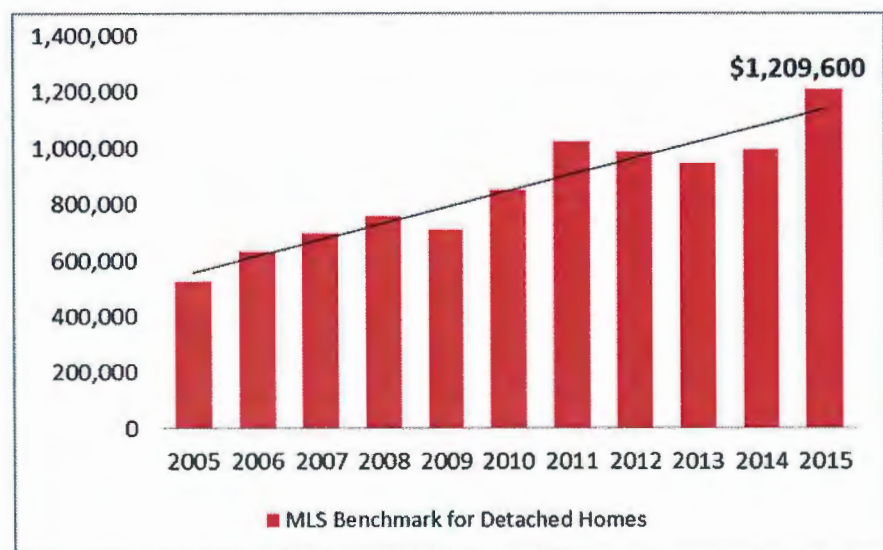
<sup>1</sup> The MLS Benchmark price represents the price of a typical property within each market. It takes into account characteristics such as lot size, age, and the number of rooms that average and median price of housing units do not account for.

**Figure 3: MLS Benchmark Price for Richmond Townhouses, 2005-2015**



Source: Real Estate Board of Greater Vancouver. July 2015, MLS Home Price Index.

**Figure 4: MLS Benchmark Price for Richmond Single Detached Houses, 2005-2015**



Source: Real Estate Board of Greater Vancouver. July 2015, MLS Home Price Index.

## 3.2 Homeownership Affordability

According to the Annual Demographia International Housing Affordability Survey (2015), Metro Vancouver ranked as the third most unaffordable market internationally for homeowners behind Hong Kong and Sydney (Australia). This organization ranks urban centres using the median multiple, which divides the median house price of all housing types by the gross annual median income. According to this ratio (a recommended measure by the World Bank), buyers in Metro Vancouver need to earn ten times the median income to purchase the median priced housing unit. Figure 5 displays the median multiple ratings indicating unaffordability.

**Figure 5: Demographia International Housing Affordability Survey: Housing Affordability Rating Categories**

Demographia International Housing Affordability Survey: Housing Affordability Rating Categories	
Rating	Median Multiple
Severely Unaffordable	5.1 & Over
Seriously Unaffordable	4.1-5.0
Moderately Unaffordable	3.1-4.0
Affordable	3.0 & Under

Source: Demographia, 2015. Annual Demographia International Housing Affordability Survey.

When the median multiple is calculated for Richmond (using available data of benchmark housing prices), all housing types in the city would be considered severely unaffordable, relative to the median household income in Richmond (\$60,479). See Figure 6 for calculations of the affordability for Richmond.

**Figure 6: Median Multiple of Richmond Housing Types**

Unit Type	Benchmark Price	Median Multiple
Single Detached	\$1,413,500	23.4
Townhouse	\$631,600	10.4
Apartment	\$404,700	6.7

Figure 7 illustrates the minimum annual income necessary to purchase a housing unit in Richmond based on a gross-debt-service (GDS) ratio of 32%.<sup>2</sup> According to the calculations in the charts, the annual income necessary to purchase a typical unit in Richmond significantly exceeds median household income (\$60,479). For example, households will need to earn 3.4 times the median household income to affordably purchase a benchmark single detached house in Richmond. Saving for a down payment is a barrier for many first-time homebuyers and therefore it is assumed that some households will not be able to provide a 20% down payment and therefore require a higher annual income to support a larger mortgage.

<sup>2</sup> Calculations are made with the following assumptions. The purchase price is the benchmark price for the Richmond housing market, set by the Real Estate Board of Greater Vancouver, March 2016 Home Price Index. The mortgage amount is calculated with a 25 year amortization period with a 5 year fixed interest rate of 3.19% and bi-monthly payments. The strata fees are calculated as 50% of an assumed median strata fee of \$300. Heating costs were assigned a price of \$25 monthly, and \$50 for a single detached unit.



**Figure 7: Annual Incomes Necessary for Homeownership in Richmond with 32% GDS, by Unit Type<sup>3</sup>**

Housing Type	Benchmark Price	Down Payment	Annual Income Necessary with 32% GDS Ratio
Single Detached	\$1,413,500	5%	* see footnote 3
		10%	
		20%	\$206,576
Townhouse	\$631,600	5%	\$115,181
		10%	\$109,463
		20%	\$98,030
Apartment	\$404,700	5%	\$76,160
		10%	\$72,497
		20%	\$65,171

Figure 8 displays the number of owner and renter households in Richmond who spend more than 30% of their before tax income on housing provision.

**Figure 8: Number of Owner and Renter Households spending 30% or Greater of Total Annual Income on Shelter**

Owner Households in Richmond		Renter Households in Richmond	
Number of owner households in private dwellings	52,305	Number of tenant household in private dwellings	15,545
% of owner households with a mortgage	55%	% of renter households in subsidized housing	15.3%
% of owner households spending 30%+ of household total income on shelter costs	32%	% of renter households spending 30% or more of households total income on shelter costs	47.5%
Median monthly shelter costs for owned dwellings (\$)	\$1,047	Median monthly shelter costs for rented dwellings (\$)	\$1,101
Median annual household income	\$66,661	Median annual household income	\$43,115

Source: 2011 NHS & Metro Vancouver, 2015. Housing Data Booklet.

<sup>3</sup> In December 2015, the Federal Government changed the requirements regarding CMHC insured mortgages. Homebuyers will now need to place a 5% down payment on a \$500,000 portion and a 10% down payment on the portion after \$500,000. Therefore calculations for minimum annual income needed for a townhouse in Figure 22 are slight underestimations. CMHC will not insure mortgages for units over \$1,000,000, so therefore a household must have a 20% down payment for units greater than this price. Households' GDS ratio is an important indicator of housing affordability; however it does not take into consideration the condition or suitability of a household's unit. For example, households may need to exceed the 30% GDS ratio if they need to rent or purchase a multi-bedroom in order to better accommodate their family. This measurement also does not take into consideration the costs of living including child care, transit and food.

## 4. Affordable Homeownership: Case Studies

Homeownership affordability is an issue shared by many jurisdictions. The following section provides a summary and program characteristics of affordable homeownership options that have been implemented in selected Canadian and American municipalities as well as two non-profit organizations. While each program will reflect the unique housing situation and condition in each jurisdiction, some key common elements are identified that may prove useful as Richmond explores affordable homeownership policy options.

### 4.1 Selected Municipal Case Studies

#### *Attainable Homes Calgary Corporation, Calgary AB (Population – 1.1 million)*

The Attainable Homes Calgary Corporation was established by the City of Calgary and functions as a subsidiary of the City. Its mandate is to provide affordable homeownership options for residents by connecting builders, lenders, lawyers and other stakeholders to make the upfront costs of housing more affordable. The corporation retains a small portion of every property's equity if and when it is sold, which contributes to financing down payments for future participants. With nine staff, the corporation has provided over 600 homes since 2011 and had an operating budget of approximately \$46 million in 2015.

#### Program Characteristics

##### Eligibility Requirements:

- Households must qualify for a mortgage, and provide a minimum down payment of \$2,000. Households must participate in a financial literacy session, including mortgage education.
- Income thresholds: Households with dependants must earn under \$90,000 annually and households without dependants must earn under \$80,000.
- Wealth: Households must not have assets less than 20% of the unit's purchase price.

##### Type of Assistance Provided:

- Attainable Homes provides a "forgivable" loan as a second mortgage that is repaid through equity if the property is resold.

##### Restrictions during Ownership:

- Unit must be the household's primary residence.

##### Restrictions on Resale:

- Households are able to resell their unit at market price, and therefore affordability of the unit is not maintained for future owners. However, households are required to share a portion of the equity with Attainable Homes. The proportion of shared equity decreases the longer a household remains in the unit and is refunded back into the program and helps provide other households with down payment assistance.



### *Affordable Home Ownership Pilot Project, City of Vancouver (Population – 603,500)*

With direction from Vancouver Council, City staff are currently working on the details of an Affordable Home Ownership pilot project to ensure that there are options to keep moderate income households in Vancouver. While shaping this project, Vancouver staff looked to other well-established programs including Whistler, Calgary, and San Francisco. In a report to the Standing Committee on City Finance and Services on April 20, 2016, Vancouver City Council endorsed a number of goals for the program, including the creation of a 300 unit pilot project. Although the details of the type of assistance to be offered are not currently available, staff propose that Vancouver contribute value created from density bonusing on a site allowing units to be sold to eligible households at below market prices. If a unit is sold, the City would share in a percentage of the appreciation, which would be refinanced into the program. This model allows eligible households to gain some of the equity, which may allow them to move up the housing ladder in the City. Vancouver is seeking a Charter change for this program to be legally feasible and is interested in third party administration. The City of Vancouver will be consulting on the pilot project with the development industry, CMHC and mortgage lenders in the coming weeks. Below are some of the preliminary considerations.

#### Program Characteristics

##### Eligibility Requirements:

- Households must have been a resident of Vancouver for the past five years, and at least one of the buyers must be employed in Vancouver. Program priority will be given to first time homebuyers and households who currently own a unit insufficient for their family. Households must provide a minimum down payment of 5% and participate in a home buyer education course.
- Income thresholds: Households without dependents must earn under \$67,540 for studios and 1-bedroom units and households with dependent children must earn under \$96,170 for larger units.
- Wealth: No preliminary limits.

##### Type of Assistance Provided:

- The City would invest value created from density granted on the site to create units at lower than market value.

##### Restrictions during Ownership:

- Households must remain the primary occupant and renting is restricted.

##### Restrictions on Resale:

- Time restrictions are being considered to minimize property flipping.

Aside from the City's attempts to create a municipal based program, there have been a couple of private sector driven affordable homeownership projects targeted at first time homebuyers. Examples include 60 West Cordova and Sequel 138. Both developments involved modest unit sizes, appliances, and amenities to decrease the cost for buyers. Some units in the 60 West Cordova building are managed by Habitat for Humanity and continue to provide ownership opportunities to low-moderate income households. The remaining units in both developments did not include resale restrictions in the terms of purchase and therefore the affordability of these units will not be secured for future owners.



### ***Banff Housing Corporation, Banff AB (Population – 7,584)***

Banff Housing Corporation is a non-profit housing authority owned by the Town of Banff. Its mandate is to maintain a healthy and balanced community by offering affordable homeownership options for the local workforce. The Corporation has 183 units in its current portfolio (2014).

#### **Program Characteristics**

##### **Eligibility requirements:**

- Participants must either be primarily employed in Banff National Park, operate a business that is not a bed-and-breakfast, be a retired employee that lived and worked in the Town for 5 consecutive years before retirement, or a student within the National Park. Participants are ranked on a waitlist by points that reflect the level of need of a household (including number of dependents).
- Income: No limit.
- Wealth: No limit.

##### **Type of Assistance Provided:**

- Provides a sub-lease equivalent to the difference between the built cost of the unit and market value.

##### **Restrictions during Ownership:**

- Unit must be the household's primary residence.

##### **Restrictions on Resale:**

- Units have a resale restriction that is set by the housing corporation and must be sold to eligible households. The corporation maintains a right-of-first-refusal (ROFR) to ensure that units are being sold to target households.

### ***Whistler Housing Authority, Whistler BC (Population – 9,824)***

The Whistler Housing Authority is an independent subsidiary of the Resort Municipality of Whistler. The authority was created to provide housing to the local workforce, as Whistler's long-term success as a resort community is contingent upon retaining a stable resident workforce. Today, almost 80% of the local workforce is housed through this program. With two full-time staff, the authority manages an operating budget of approximately \$2 million and a waitlist. The authority owns homes, which are purchased with funds acquired from development cost charges.

#### **Program Characteristics**

##### **Eligibility Requirements:**

- Participants must be employees that work a minimum of 20 hours a week within Whistler, or retirees that worked in Whistler five or six years prior to retirement in Whistler. The authority maintains a waitlist for households meeting eligibility requirements.
- Income: No limit.
- Wealth: No limit.

##### **Type of Assistance Provided:**

- Participants are able to buy a home secured through the authority at an affordable purchase price. Once the unit is acquired by the authority, the price of the unit is made affordable through price control regulations, even if the unit is resold.

Restrictions during Ownership:

- Must continue employment in Whistler during the time of ownership, unless retired.

Restrictions on Resale:

- The authority oversees the resale of all properties and maintains a right-of-first-refusal (ROFR) if a household decides to sell a unit. All resale prices are tied to maximum price restrictions of a compounded annual increase. The unit must be sold to a household on the waitlist.

***Home in Peel, Affordable Homeownership: Region of Peel, ON (Population – 1.3 million)***

This program began as a regional housing initiative with financing from the provincial government through the Investment in Affordable Housing for Ontario program. Part of the mandate for this provincial funding is to provide low to moderate income renter households with an opportunity to own and potentially ease the demand for rental housing. Assistance given to participating households is forgivable after a period of 20 years if the unit is unsold. If the unit is sold within 20 years, the loan must be repaid in addition to a percentage of equity proportional to the amount of assistance initially received by the household. This capital helps fund future loans through the program. In a survey conducted in 2014, 80% of homeowners in this program stated that owning their own home improved their life circumstances.

**Program Characteristics**

Eligibility Requirements:

- Participating households must be currently renting in Peel and must be over 18 years of age, a Canadian Citizen or permanent resident, and must qualify for a mortgage. The purchase price of the unit must not exceed \$330,000.
- Income Thresholds: Households must not earn more than \$87,000 annually.
- Wealth: Households must not have any property assets.

Type of Assistance Provided:

- Down payment assistance of up to \$20,000 is given to a household and registered as a second mortgage on the property.

Restrictions during Ownership:

- Unit must be the household's primary residence.

Restrictions on Resale:

- No restrictions on resale of the unit.

***Portland Housing Bureau, Portland, USA (Population – 609,456)***

Portland Housing Bureau was established by the City of Portland. The authority employs 54 full-time staff, has an operating budget of \$8.7 million and is responsible for a range of programs including home ownership. In addition to other homeowner incentives, including education, repairs, and grants for homeowners who may lose their homes, the authority provides down payment assistance loans to help low income households affordably purchase a home in order to solve the unmet housing needs for Portland residents.

## Program Characteristics

### Eligibility Requirements:

- Households must participate in a US Department of Housing and Urban Development course and provide a minimum contribution of \$500.
- Income: Thresholds are tied to the size of the household, but must be below 80% of the City's median household income.
- Wealth: No more than \$10,000 in liquid assets.

### Type of Assistance Provided:

- Down payment assistance ranging from \$48,000 to \$61,000 to purchase a market home as a low-interest second mortgage that must be repaid after the payment of the primary mortgage.

### Restrictions during Ownership:

- No restrictions on households during ownership.

### Restrictions on Resale:

- No restrictions on resale of the unit.

## *Below Market Rate Ownership Program, San Francisco, USA (Population 837,442)*

The City of San Francisco uses an inclusionary zoning approach to ensure that low to moderate income households are able to purchase homes. Under this inclusionary zoning policy, some developments are required to provide to sell or rent 12% of units at a below market rate. Some of these below market units are sold under the Below Market Rate Ownership Program to eligible first time homebuyer households. This program is partially financed through development contributions, state and federal funding, and a City Affordable Housing Trust Fund. The sale prices of the below market rate units are adjusted periodically so that the median household does not spend more than 28% of their gross annual income on mortgage payments. In less than a year, the City provided over 60 down payment assistance loans to eligible households (July 2014 – March 2015).

## Program Characteristics

### Eligibility Requirements:

- Households are not eligible to purchase units that have more bedrooms than the number of household members. Households must gain pre-approval for a loan, and must not enroll in a 'First-time Homebuyers Education Workshop.' Participants are decided through a lottery system, the first priority is given to households who live and work in San Francisco.
- Income: Households must not earn more than 90% of area median income for the number of persons in their household. For older resale units, household may earn between 80%-120% of the area median income.
- Wealth: No wealth restrictions.

### Type of Assistance Provided:

- A number of programs from various funding sources (including state funding and a City Housing Trust Fund) provide down payment assistance up to \$57,000 to a household as an interest free second mortgage, repayable after 40 years.

### Restrictions during Ownership:

- Unit must be the household's primary residence.



#### Restrictions on Resale:

- Households must resell their unit at an agreed upon restricted price to other eligible first-time homebuyers. Any appreciation gained upon resale is shared with the City in proportion to the down payment assistance loan.

## 4.2 Selected Non Profit Case Studies

### *Options for Homes – Toronto, ON (Population – 2.6 million)*

Options for Homes is a non-profit corporation founded in 1992 that provides cost-effective affordable homes to low and moderate income households across the Greater Toronto Area. Partnering with other stakeholders, this organization works to reduce the costs associated with purchasing a home by reducing amenities, decreasing marketing costs, incorporating sustainability features to decrease maintenance costs, and building on periphery lands to decrease maintenance costs in order to eliminate developer profits. Options for Homes have also been able to offer homeownership units in desirable locations by partnering with churches, which have land to be redeveloped in exchange for some reinvestment into the church. This way, housing units can be offered to eligible households for at least \$50,000 below similar market units.

#### Program Characteristics

##### Eligibility Requirements:

- Households must provide a minimum 5% down payment.
- Income thresholds: Households must earn less than the 60th percentile of the income in a given area.
- Wealth: no wealth restrictions.

##### Types of Assistance Provided:

- Assistance is given as a second mortgage, if this funding is not sufficient to cover the costs households are encouraged to seek additional government loans. This second mortgage is interest free and must be paid at the time of sale or if the owner wishes to rent out the unit.

##### Restrictions during Ownership:

- Renting is restricted if households obtain a second mortgage.

##### Restrictions on Resale:

- The unit is sold at market price, at which time the household pays back the second mortgage including an additional appreciation in relation to the proportion of the second mortgage, which is reinvested back into the program.

### *Habitat for Humanity, Homeownership Model, Greater Vancouver*

Habitat for Humanity is a non-profit organization that mobilizes volunteers and community partners to promote homeownership as a way to assist low to moderate income households out of poverty. Land is first purchased by fundraising, and the cost of construction is decreased through volunteer construction workers, including volunteer hours from the participating household. Habitat for Humanity is currently developing a project using this model in the Broadmoor area of Richmond. Contingent on fundraising and building approval, this project will provide affordable homeownership opportunities for 12 low-income households.

## Program Characteristics

### Eligibility Requirements:

- Must complete 500 hours of ‘sweat equity’ per household by contributing to the construction of a new unit.
- Must attend a workshop to learn about the process of homeownership. Must not have declared bankruptcy in the last two years.
- Must be a Greater Vancouver resident for the last three years. Participant households are selected based on the level of need, ability to pay a Habitat for Humanity mortgage and their willingness to participate in the construction of a property.
- Income: \$35,000-\$65,000.
- Wealth: No limit.

### Type of Assistance Provided:

- Housing units are built affordably due to construction costs saved through volunteer labour. No down payment is necessary and an interest-free mortgage is provided by Habitat for Humanity on the property.

### Restrictions during Ownership:

- No restrictions, but homes are intended to be participant households’ primary residence.

### Restrictions on Resale:

- No restrictions on resale.

## 5. Key Common Elements

While the preceding case studies were developed to address unique local circumstances, they do share a number of key common elements that will be helpful for Richmond in its review of affordable homeownership options.

1. **Senior Government Funding:** In many cases, senior governments (e.g. Federal and Provincial/State) provided significant investments to local governments in order to support program initiatives such as down payment assistance and program operations.
2. **Administrative Capacity:** In municipal cases, sufficient administrative capacity (ie. a subsidiary housing authority, third party, or dedicated staff) was necessary to help manage and oversee local programs.
3. **Restrictions on resale:** Restrictions on resale help to ensure that units will be affordable for future owners. This has been accomplished by:
  - a) A **price restriction model**, which ties the future resale of a unit to a common denominator (for example the rate of inflation, core inflation, or fixed amount) that is agreed upon prior to the primary sale of the housing unit; or
  - b) An **equity share model**, which enables purchasers the ability to acquire units at below market costs and also benefit in future market growth in relation to their initial equity contribution. In some models, municipalities also access a portion of the unit's equity on resale and reinvest this amount into the affordable housing program's mandate.
4. **Owner occupancy:** Owner occupancy is key to ensure that the unit does not become solely an income generating property, but an affordable unit to maintain as a principal residence – the place the homeowner ordinarily and continually occupies and his/her residence in a full time basis.
5. **Income or asset restrictions on participation:** This will ensure that an appropriate priority group is targeted for homeownership support. These restrictions should be as inclusive as possible as homeownership is difficult to obtain for low and moderate income households in Metro Vancouver.
6. **Financial Support:** In most programs reviewed, financial support in the form of down payment assistance is provided as an interest free or low-interest loan registered as a second mortgage on the property. Usually this loan is repayable after a set period of time, after the first mortgage is paid off, or if the property is sold.



## 6. Looking Ahead – Policy Review Considerations

Homeownership remains an important goal for many families and households and plays a critical role in the housing continuum for a healthy community. Rapidly escalating real estate prices in many urban areas including Metro Vancouver make this goal increasingly difficult to attain. In response, senior and local governments in Canada and the US, as well as the non-profit sector have developed programs and initiatives aimed at easing some of the critical financial pressures to purchase a home. The case studies presented in this report summarize unique approaches to addressing local affordability issues but at the same time highlight key elements that are common to all programs – clear eligibility requirements, requirements for owner occupancy, resale restrictions to ensure that affordability is secured over the long term for future owners and some form of financial support. These will be critical considerations for Richmond as it explores alternative affordable homeownership options as part the City's Affordable Housing Strategy update.