

THE CORPORATION OF THE DISTRICT OF BURNABY

HOUSING COMMITTEE

HIS WORSHIP, THE MAYOR
AND COUNCILLORS

OPTIONS FOR AFFORDABLE HOUSING: A MUNICIPAL PERSPECTIVE

RECOMMENDATION:

1. THAT Municipal Council send a copy of this report as Municipal Council's formal submission to the Provincial Commission on Housing Options.

R E P O R T

1.0

INTRODUCTION

In June of this year, Robin Blencoe, Minister of Municipal Affairs, Recreation and Housing introduced a Provincial Commission on Housing Options with a mandate to explore ways to meet B.C.'s affordable housing needs in both the market and non-market sectors within the bounds set by shrinking federal and limited provincial and municipal resources. A consultation process is a key component of the Commission's work, with the following objectives having been identified:

- * To provide an opportunity for all residents and key stakeholders in B.C. to have direct input into the generation and discussion of the Commission's recommendations;
- * To identify innovative approaches and solutions on housing issues within the limitations of scarce financial resources;
- * To collect information that will be helpful to groups working in the housing industry, particularly for municipalities and non-profit community based groups.
- * To provide an opportunity for municipalities, groups with special perspectives and individuals to become involved in the search for solutions to affordability problems that go beyond traditional government-based programs; and
- * To strengthen ties between the Provincial Government and municipalities, through collaborative process, on issues of mutual concern.

The Housing Committee and Planning and Building Department staff have been involved in the consultation process by attending the public meetings held in Burnaby, and meeting with the Commission and its staff.

This paper, provides Municipal Council's formal response to the Commissions request for input. It explores the role of municipal governments in housing and suggests actions that the Provincial Government should consider in improving the ability of municipal government to deliver affordable housing.

2.0

THE ROLE OF MUNICIPAL GOVERNMENT IN HOUSING

The traditional role for Municipal Government in housing has been to ensure that adequate land has been designated for a variety of housing forms within the municipality through the development of plans, policies and regulations. With this role, municipalities ensure that housing is located in appropriate locations relative to other land uses and human services and facilities. Affordable housing was provided for through normal housing market mechanisms and supplemented by senior government programs.

INTERNAL DISTRIBUTION:

: AGENDA - 1992 JULY 27

: COPY - MUNICIPAL MANAGER

- DIRECTOR PLANNING & BUILDING

As a result of a combination of circumstances, including the steady growth in population in the Greater Vancouver area, changes in demographics of the region, and the withdrawal of senior governments from social housing programs, increasingly municipalities are being asked to play a more direct role in the development of affordable housing.

As the level of government that is closest and most accessible to people, local government is keenly aware of housing problems in the community. Many municipalities, such as Burnaby, have taken steps to encourage the development of affordable forms of housing such as leasing municipally owned land at a writedown to lower land costs, requesting developers to voluntarily include affordable housing in major developments and fast tracking non-market and rental housing projects through the approvals process. This action has been taken in the context of the need to provide affordable housing for people who work in the municipality.

Burnaby is also embarking on a comprehensive review of its residential growth management policies to provide a more relevant and contemporary framework for future residential development. This will form an important component of an updated Official Community Plan. A premise of Burnaby's residential growth policies contained in the Official Community Plan is that provision must be made for a full range of housing types to meet the needs of current and future residents. An integral part of the review will be the formulation of policy statements regarding affordable housing.

While there has been pressure for local governments to take on a larger role in the development of affordable housing, there has not been a corresponding increase in the resources allocated to municipalities. Nor has there been a dialogue on the changing definition of housing roles for the different levels of government. Although a recent amendment to the Municipal Act requires local governments to include affordable housing policy statements in their Official Community Plans there is uncertainty as to the jurisdiction of municipalities related to housing.

There is a concern that a "downloading" of responsibility for affordable housing from senior governments to local governments is occurring without the passing along of the control of programs and funding that goes with that responsibility. By default, municipal government has been compelled to address affordable housing issues in the absence of the expertise, land resources and the tax revenue sources that are possessed by senior governments. An important first step in discussing the role of municipal governments in housing is to carefully define the roles of all levels of government and allocate resources accordingly. The actions presented in this paper are meant to be reviewed in the context of a continued strong senior government role in housing.

2.1 The Need for Continued Leadership From Senior Government

Many municipalities, through a negotiated development approval process, have achieved the identification of very well located sites for non-market housing. However, it is clear that the number of sites set aside for this type of development far exceeds the number of units available from senior government programs. While believing on first principle that these sites should be reserved for housing for core-needy households and mixed income housing co-operatives, it is realized that other innovative affordable forms of housing will have to be considered. The senior levels of government will be looked to in order to make some of the innovations possible, for example, through creation of new mortgage instruments, new programs, mortgage insurance and pilot projects.

Burnaby is responding to the challenge of providing affordable housing through using its own land resources for non-profit housing and market leasehold tenure. It is expected that senior governments will show leadership in using their landholdings for innovative forms of affordable housing or support innovation in other ways. There has been some reluctance by senior levels of government to use their lands for affordable housing. The Province could through a demonstration program, provide "seed" or project development funding for innovative projects to municipalities or private developers. These demonstration projects could use, for example, new mortgage instruments or land tenures.

2.2 The Need for Improved Cooperation Between Different Levels of Government

A major theme that is found throughout this paper is the need for improved cooperation and communication between all levels of government, and between different actors in the same level of government. To ensure that any initiative regarding affordable housing is effective, it is imperative that municipalities be involved in the design and implementation plan of the proposed program.

Housing is often provided and located divorced from the services needed for the people that will occupy the housing. Municipalities often find themselves providing the recreation, education, health or transportation services on a reactionary basis rather as a result of a consultative process in which housing is located in the best possible location for the user group.

3.0 PROVINCIAL SUPPORT FOR MUNICIPAL INITIATIVES

3.1 Changes to Legislation

The following discussion highlights some legislative changes that warrant further consideration by the Provincial Government that may assist local governments in providing for affordable housing.

3.1.1 Changes to the Municipal Act

Part 29 (Management of Development) of the Municipal Act lays out the guidelines for municipal development regulation in fairly specific terms. This section provides certainty for landowners and developers, but at the same time limits to some extent, innovation in encouraging affordable housing. The following suggested changes to the Municipal Act should be implemented through an elaboration of the recent amendment to the Municipal Act requiring policy statements about affordable housing in Official Community Plans.

- i. Voluntary Inclusion of Non-Market Housing: Burnaby has required those undertaking large scale developments and redevelopments to include a component (20% of units) of non-market housing. This is seen as providing well located sites for affordable housing and support the concept of balanced communities. Due to land ownership patterns in Burnaby, this inclusionary zoning policy has been used only on lands owned by the three levels of government, and has been implemented in the spirit of cooperation. It is felt that it would be very difficult to implement this policy, except on a voluntary basis, on privately owned lands as there is no clear jurisdiction under the development control section of the Municipal Act. A related policy direction, which may be used as an alternative to an inclusionary zoning policy would be to allow municipalities to levy a fee on new developments that could be applied to a municipal affordable housing reserve fund that could be used to buy land for affordable housing development purposes.

ii. Zoning for Rental and Affordable Housing: Another potential method to encourage the development of affordable housing is linking the maximum density achieved in a development to the guaranteed provision of rental or other forms of affordable housing. For example, a developer may achieve the maximum density in turn for conveying the title to some units, at little or no cost, to a Non-Profit society for the use of their clients on a subsidized basis. The profits achieved by reaching the maximum density would pay for the non-profit units. An amendment to the Municipal Act that would allow maximization of density in very specific circumstances would facilitate this type of development. The regulation must ensure, however, that the benefit derived from achieving the maximum density should not exceed the costs of providing the affordable units. A related issue is that Municipalities must have the ability to legally encumber the guaranteed units so that they remain 'guaranteed rental' or remain as non-profit subsidized units.

iii. Standards of Maintenance: Burnaby has sponsored a resolution to the Union of B.C. Municipality convention requesting that the Municipal Act be amended to allow municipalities to regulate standards of maintenance on rental residential dwellings. This would give tenants a quick and effective method to have basic repairs completed when landlords refuse to do so. While this may not contribute to the supply of affordable housing per se, it could improve the livability of the most affordable rental housing.

3.1.2 Other Legislation

Secondary Suites: It is realized that secondary suites are a source of affordable housing in the community, both for the tenants and for the homeowner by providing revenue. Secondary suites are also considered a desirable form of housing by smaller households such as single parent families, single people and couples due to the ground orientation and neighbourhood context of suites. Many people prefer the security of knowing one's neighbour provided by secondary suite living.

However, due mainly to community resistance and concerns regarding the impacts of higher residential densities in established neighbourhoods, permitting secondary suites as an outright use is very difficult for municipalities. Burnaby, for example, allows registered in-law suites, with the definition of in-laws being expanded to include other close family members.

One technical problem relating to existing suites is the lack of a realistic standard in the Building Code that reflects the situation of suites in single family homes. Without compromising health and safety considerations, there should be recognition of existing suites as an accessory use to single family dwellings in the Building Code so that if they are permitted, they can be regulated according to a realistic standard.

3.2 Policy Research Assistance

The Provincial Government could assist local governments by undertaking research on technical or complex policy matters related to housing. Two areas that require further research are related to leasehold tenure and acceptance of higher density housing.

3.2.1 Leasehold Tenure

As a method to reduce the land cost component of housing some municipalities have leased municipally owned land to non-profit housing societies and co-operatives for a term of 60 years based on 75% of freehold market value. Some view the 25% "write-down" as a subsidy while others view this as a "market lease" in that the value of the land is reduced because of the leasehold tenure. Validation of leasehold valuation by an impartial authority would assist in the acceptance of this approach by public and private sector landowners and developers.

There are also some practical and legal questions related to leasehold tenure that have not been addressed. What will be the incentive to maintain the improvement in the latter stages of the lease term? Must the lessee be compensated for the value of the improvement at the termination of the lease? How will mortgagors deal with leasehold tenure? How will lease renewals be valued? Resolution of these issues would help municipalities be more comfortable with leasehold tenure.

The use of leased land for housing has, for the most part, been confined to social housing programs. There may be potential for the use of leasehold tenure to reduce the cost of homeownership. In addition, leasehold tenure would allow the reversion of land back to public ownership. However, there is a great deal of uncertainty regarding the market acceptability of leasehold tenure. Research into leasehold as an alternative might help clarify the situation and make this form of tenure worthy of consideration as a method to create more affordable housing. If deemed fruitful, the Province could sponsor forums or workshops with developers or potential residents to help provide credibility with the leasehold concept.

3.2.2 Attitudes about Higher Density Housing

There is great resistance in existing communities to development of housing at higher densities, especially in relation to existing single family areas. The Province could play a valuable role in undertaking research and help counter some of the myths surrounding higher density housing, e.g. higher crime rates, lowering of property values. This research could result in creation of guidelines for introducing higher densities that result in more livable and environmentally sustainable communities. Provincial land may be used for pilot projects to show that higher density housing can result in an equal or better quality of life compared to the traditional suburban single family form of development.

3.3 Housing Information

Municipal officials frequently receive requests from people looking for affordable housing. Staff respond to such requests by providing contact names for the non-profit and co-operative developments located in the municipality. In the case of seniors housing, we refer them to the Seniors Housing Information Program, but even this valuable service is in operation only a few hours week. There is no similar service for families, singles or those with special needs. It is apparent that many of those looking for housing find the prospect of contacting dozens of agencies to be put on waiting lists quite daunting.

A regional or sub-regional housing information, referral and even possibly, a registry would greatly assist matching those that need the housing with the units that are available. At the very minimum, agencies that manage a large number of developments should be requested to centralize their registration facilities, similar to the Affordable Housing Advisory Association.

3.4 Urban Land Supply

It is realized that the supply of land for housing in the Lower Mainland is limited both in real and environmental terms. As illustrated through the GVRD's Choosing Our Future work, we have to make better use of the existing developable land supply. The Province could play a role in supporting this regional initiative and providing any legislative or administrative support necessary to improve the effectiveness of the program.

In addition, it is important that the location of future housing be considered with all other infrastructure, especially transportation services. Currently affordable housing is being located far from employment and transit services, putting increasing demands on roads, hard services, schools and the environment. Meeting these emerging non-housing needs is expensive to all levels of government.

Major decisions on items such as the expansion of rapid transit can greatly effect the future supply of housing. With foresight and planning, affordable housing can be integrated with development associated with major transit improvements. Alternative rapid transit routes should be evaluated with their potential to provide an increase in the affordable housing stock. Potential landowners benefiting from a station in their area, or transit station developers could be required to develop a portion of housing units as affordable or guaranteed rental. In the context of Burnaby, there is opportunity to develop innovative housing opportunities in conjunction with a rapid transit facility in the Lougheed corridor utilizing existing industrial and underdeveloped land.

It is suggested that the Province identify potential housing sites in its landholdings that could be made available for innovative housing developments. As suggested before, this land could be used to demonstrate innovation in developing livable higher density housing (i.e. small lots with small detached dwellings, modular homes, grow homes, mixed use development), in tenure (e.g. leasehold) or in using new mortgage instruments (e.g. Index Linked Mortgage).

4.0 MUNICIPAL ASSISTANCE TO THE NON-PROFIT SECTOR

Burnaby has played an active role in encouraging the development of non-profit housing under the senior government's programs, involving both private and municipally owned land. The following comments reflect our experience.

4.1 BCHMC Allocation Process

Non-profit Housing developers and sponsors are concerned that the current process of a one time proposal call involves a tremendous expense of time and money in preparing responses, with little chance for a return, given the limited number of units. A more co-operative process that involves possibly the pre-selection of sponsors with more than one smaller proposal call per year may be an improvement. There is also concern that the current process itself may heat up the market for multi-family sites since so many proponents are bidding on land at roughly the same time.

From a municipal perspective, there is a concern that the needs of the local community are considered in a token manner. Non-profit housing developments can put a significant strain on local facilities such as schools and community facilities in some areas, causing stress on both new and old neighbours. Municipal staff in Burnaby would appreciate the opportunity to work closely with BCHMC in a more meaningful way so that new developments are directed into neighbourhoods with appropriate services to meet the needs of the new residents.

4.2 Non-Profit Project Management

The management ability and philosophy of the sponsor groups should form a major part of the evaluation in awarding allocations. The difference between an exceptional and mediocre project is often the result of the management style of the sponsor group. A related concern is that adequate training is not provided to either the manager or the Board of Directors of housing societies.

Due to the current division of responsibility for housing and support services within the provincial government, it appears very difficult to co-ordinate housing and services in the same development, for example, assisted living for seniors is difficult to implement. Further, it appears that proposals that have creatively tried to combine services (e.g. meals for seniors) within a housing development have been discouraged.

5.0 AFFORDABLE HOUSING: SOME BURNABY PERSPECTIVES

5.1 Existing Housing Stock

In terms of Burnaby's market housing, the most affordable housing is generally the housing that already exists. Therefore, protecting the existing affordable housing stock is an important housing policy consideration. The Residential Rehabilitation Assistance Program has in Burnaby been quite successful in improving single family dwellings owned mainly by seniors in core housing need. This helps meet the objectives of allowing seniors to stay in their homes longer, and lengthening the life of older dwellings. RRAP is also a very good example of how a senior government program, despite some very stringent requirements, can meet the needs of residents when administered locally.

There is need for some new initiatives to help preserve the existing rental housing stock which will be under pressure to redevelop to higher priced condominiums. Currently, municipalities can only discourage demolition of the existing rental stock by not supporting land use designation changes that allow higher density redevelopment. It would be useful if the Provincial Government explored the issue of demolition control for municipalities, including provision for assistance for dislocated tenants. The Province may wish to also explore the feasibility of implementing a municipal revenue neutral property tax grant to owners of rental multiple family buildings that are not strata-titled through for example, a special property assessment category.

One method undertaken by Burnaby to protect an existing building was to purchase an existing market townhouse development and convert it to a housing co-operative using a land lease and CMHC insured Index-Linked Mortgage (ILM), but without Federal Government supply assistance. Due to the demise of the Federal Co-operative Housing Program, however, the ILM is no longer available as a tool to undertake this kind of initiative.

5.2 Housing for Low Income Families and Seniors

Burnaby has actively pursued development of housing under the senior government's programs and believes that these programs should be enhanced. However, it is believed that a review of the housing needs of all people in society must be undertaken to ensure that no group 'falls through the cracks.' One group that has not been well served by these programs however, are older singles, especially women, who comprised about 41% of core-needy households in 1986 in Burnaby.

Many non-profit housing developers and churches in Burnaby own vacant or underutilized land that could be made available for housing. In some cases, attempts to get unit allocations for social housing programs were unsuccessful, due to the limited number of available units. The Province has a potential role as a catalyst in encouraging these groups to use the unrealized equity in their land to develop more affordable housing. The Province could possibly provide advice, project development funding or some other low cost assistance in helping such non-profit groups.

5.3 Affordable Home Ownership

As indicated in the attached appendix, 29% of the housing stock that is currently for sale is affordable to renter households that are not in core housing need. This comprises newer townhouse and new apartment condominium units, but not single or two family units. For non-family households, only 19% of the stock can be considered affordable, limited to older townhouses and apartment units. The private housing industry in Burnaby tends to focus on the move-up buyer rather than the first time buyer, due to high land costs, although there is some new townhouse development geared to small families and couples.

It is clear that innovation in land tenure, housing form and financing will be required to develop affordable ownership housing. Given Burnaby's developed state, new affordable homeownership opportunities will be in the form of multi-family development.

5.4 Special Needs Housing

Burnaby is supportive of the concept of community living. The Planning and Building Department and Health Department appreciate working very closely with the various ministries and sponsor groups that provides special needs housing to ensure that such housing is located appropriately to meet the objective of neighbourhood integration. However, it is often found that municipalities are asked to react to a proposal in the latter stages of development so that the opportunity for meaningful comment is limited. It is recommended that the process for the development of special needs housing be reviewed to permit constructive consultation with municipalities early in the process.

5.5 Development Approvals Process

The Planning and Building Department has reviewed the development approvals process and has implemented a priority approval process for non-market and guaranteed rental developments. This process has been in place for a year and will be evaluated shortly. Achieving development approvals in Burnaby has not been a major concern from private or non-market sector developers. However, the Planning and Building Department has found that non-market developers tend to take longer in achieving development approvals due to a multiplicity of actors involved in the process, some of which have little experience. The Planning and Building Department has strongly recommended to non-market developers that they appoint a project manager/main contact person to help ensure that such projects can be expedited through an improved channel of communication.

6.0 CONCLUSION

The purpose of this paper is to explore the role of municipal governments in housing and to recommend actions to improve the ability of municipal government to deliver affordable housing. The following summarizes the recommendations:

The Role of Municipal Government in Housing:

- * There is a continued need for a strong senior government role and leadership in housing, including demonstrating innovative forms of financing and developing affordable housing.
- * There is need for improved cooperation between all levels of government.

Provincial Support for Municipal Initiatives:

- * Amendments to the Municipal Act should be considered to formalize housing policies such as voluntary inclusion of non-market housing in large developments, or an affordable housing levy to be used to buy land for affordable housing; provision for zoning for rental and affordable housing, including a way to ensure that rental tenure is guaranteed; and allowing municipalities to regulate standards of maintenance of rental premises.
- * The B.C. Building Code should be examined, without compromising health or safety, to allow sufficient flexibility so that secondary suites can be recognized as an accessory use, where permitted.
- * The Province should undertake research on technical matters relating to leasehold tenure and research and public education relating to acceptance of higher density housing.
- * The Province should explore fostering regional or sub-regional housing information and referral services so that those needing affordable housing are matched with the supply.
- * The Province should support the GVRD's "Choosing our Future" regional strategy as a way to make better use of the existing land supply.
- * Decisions about the location of major infrastructure improvements, such as transportation improvements, be made in the context of their impact on the supply of affordable housing.
- * The Province should identify potential housing sites in its landholdings that could be used for innovative affordable housing developments.

Municipal Assistance to the Non-Profit Sector:

- * That the Province review the current Non-Profit Housing Program allocation process to improve the use of non-profit sector's resources, and that the Municipalities be consulted in a meaningful way in this process.
- * That the project management philosophy of sponsor groups be a major consideration in selection, and that innovation in combining support services and housing be encouraged.

Some Burnaby Perspectives:

- * That methods to preserve the existing affordable housing stock be explored, including municipal demolition control, property tax relief to rental building owners and a program to assist in the maintenance of older buildings.
- * That the Province explore acting as a catalyst to encourage non-profit groups to use their land and equity in creative ways to develop affordable housing.

* That the Province review its special needs housing allocation process to ensure that municipalities are consulted in a meaningful way early in the process.

Respectfully submitted,

Councillor L.A. Rankin
Chairman

Councillor C. Redman
Member

Councillor J. Young
Member

APPENDIX

BURNABY'S AFFORDABLE HOUSING NEEDS

1. RENTER HOUSEHOLDS IN CORE-HOUSING NEED (1986)

<u>AREA</u>	<u>NON-FAMILIES</u>	<u>FAMILIES</u>	<u>SENIORS</u>	<u>TOTAL HOUSEHOLDS</u>
Burnaby	3525	2675	2455	8655
Vancouver CMA	35325	24570	18696	78591

According to the 1986 Census, about 48% of households in Burnaby rented their accommodation. This means that about 30% of the approximately 28,000 total renter households were in core housing need.

2. SUPPLY OF HOUSES AVAILABLE TO AVERAGE RENTER HOUSEHOLDS

<u>RENTER HOUSEHOLD</u>	<u>AVERAGE INCOME 1991</u>	<u>MAXIMUM AFFORDABLE HOUSE</u>	<u>SUPPLY</u>	<u>HOUSE TYPE</u>
Family	\$56,707	\$172,000	29%	newer townhouse, new apt.
Non-Family	\$47,236	\$143,000	19%	older apt. older townhouse

Note: Average income of private renter households aged 20 to 44 with income above core need income thresholds, which are the eligibility income thresholds for Senior Government social housing programs.

Maximum Affordable House is the maximum price a household could afford based on its income and assuming a 32% gross debt service ratio and a 10 percent down payment. Includes average taxes and heating costs.

Supply available is the percent of MLS listings for Burnaby as of June 23, 1992, at or below the maximum affordable house price.

