

CITY OF BURNABY

HOUSING COMMITTEE

HIS WORSHIP, THE MAYOR
AND COUNCILLORS

Re: Non-Market Housing Component - For
Oakalla Lands

RECOMMENDATIONS:

1. THAT Council approve in principle the development of a seniors' non-profit equity co-operative as outlined in this report as Phase 2 of the non-market housing requirement on the Oakalla lands.
2. THAT staff be authorized to work with BCBC on the seniors' non-profit equity co-operative as proposed on the understanding that a further report will be submitted to the Housing Committee and Council on the specifics of the proposal.

R E P O R T

On 1993 May 19, the Housing Committee endorsed the attached staff report which requested approval in principle for the development of a seniors' non-profit equity co-operative as Phase 2 of the non-market housing component on the Oakalla lands.

Respectfully submitted,

Councillor L. Rankin
Chairman

Councillor C. Redman
Member

: COPY - CITY MANAGER - DIR. ADMIN. & COMM. SERV. - DIR. PLNG. & BLDG. - DIR. REC. & CULT. SERV. - CITY SOLICITOR	Councillor J. Young Member
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TO: HOUSING COMMITTEE 1993 MAY 14
FROM: ACTING DIRECTOR PLANNING & BUILDING OUR FILE: 12.301.1
SUBJECT: NON-MARKET HOUSING COMPONENT FOR OAKALLA LANDS
PURPOSE: To obtain approval in principle for the development of a seniors' non-profit equity co-operative as Phase 2 of the non-market housing component on the Oakalla lands.

RECOMMENDATIONS:

1. **THAT** the Housing Committee recommend that Council approve in principle the development of a seniors' non-profit equity co-operative as outlined in this report as Phase 2 of the non-market housing requirement on the Oakalla lands.
2. **THAT** staff be authorized to work with BCBC on the seniors' non-profit equity co-operative as proposed on the understanding that a further report will be submitted to the Housing Committee and Council on the specifics of the proposal.

REPORT

1.0 BACKGROUND

At its meeting of 1993 May 3, the Housing Committee approved a report recommending City support for the development of a 75 unit mixed-income housing co-operative on Enclaves 2a and 2b as Phase 1 of the non-market housing component of the Oakalla lands. Council approved the proposal at its meeting of 1993 May 10.

The report noted that the proposed 75 unit co-operative would provide 85% of the non-market units outlined for Enclaves 2a and 2b in the adopted Community Plan. It also noted that British Columbia Buildings Corporation (BCBC) was exploring the idea of providing more than the balance of 13 required units as part of their total non-market package for those parcels, and that a report on that proposal (Phase 2) would be forthcoming for the Housing Committee's consideration.

This report outlines BCBC's proposal for the remaining portion of Enclaves 2a and 2b.

2.0 CONTEXT FOR PROPOSAL FOR PHASE 2

a. **Definition of "Non-Market" Housing**

Non-market housing is housing whose price is not totally influenced by market mechanisms because the housing is outside of the market. Non-market housing is housing which the market is unable or unwilling to provide for those who cannot access housing through normal market mechanisms. Non-market housing is affordable at the outset, often due to innovations in form, tenure or use of mortgage instruments, and remains affordable in the long-term.

b. **Definition of "Equity" Co-operative**

An equity co-operative is a housing co-operative geared towards people who require **some** assistance to acquire the kind of housing or housing in the location they require and who have some equity to invest.

c. **Potential Municipal Issues Regarding Equity Housing Co-operatives**

i) Lack of Formal Structure/Standards for Equity Co-ops

There is not, at present, a federal or provincial funding program for equity co-operatives. In the absence of the guidelines and contractual agreements which are inherent in programs, there are a wide range of equity co-op models currently being proposed. Some models do not rely on government assistance. These models, in which members assume all the risk with their own capital and are only minimally restricted (if at all) with respect to return on their investment, are seen as vehicles for equity accumulation. They are not non-profit equity co-operatives. Other models, in which government or other assistance is required, are seen as vehicles for assuring housing is affordable in the long-term. In these models, restrictions are imposed on the member's return. The restrictions can range from a par value take-out, where a \$100,000 investment today provides a \$100,000 take out in future dollars, through a return indexed to the Consumer Price Index (CPI) or other index, to a fractional ratio return in which the members take out the same percentage of market value as they initially invested. These models are labelled non- or limited-profit equity co-operatives.

Given this range of models, it is often difficult for a municipality to know what exactly is being proposed and what is an appropriate role for it to take vis a vis facilitating this tenure option.

Clarity must be achieved regarding the model being proposed in a particular instance.

ii) Target Group and Long-Term Affordability

Depending on the model of equity co-op being proposed, the income group targeted will differ. Municipalities, particularly those who offer public assistance to develop equity co-ops, require assurance that an appropriate income group is being targeted and that the co-operative's shares will remain affordable to the same target group in the long-term. In the case of leasehold land, the concerns regarding long-term affordability can often be addressed through the lease agreement.

iii) Perpetuity of the Co-operative

Municipalities offering public assistance to equity co-operatives require assurances that the project will remain co-operative tenure. Ultimate conversion to a strata-titled project, in which members profit from the market value, may be considered inappropriate. Some of these concerns can be dealt with in the lease agreement.

3.0 PHASE 2 EQUITY CO-OPERATIVE PROPOSAL

BCBC is proposing the development of a 36 unit seniors' non- or limited-profit equity co-operative to fulfil the balance of the requirement for non-market housing on Enclaves 2a and 2b.

The project is a three storey apartment building with underground parking. The building will contain an amenity area and an elevator to serve the 12 one bedroom, 12 one bedroom plus den, and 12 two bedroom units.

It is BCBC's intention that these seniors' equity units be available to seniors with limited incomes but with some equity from an existing home. It is BCBC's belief that there is a market for this product. In the six or seven existing seniors' equity co-operatives in the Lower Mainland, no limits have been placed on a potential member's income. Given the requirement for equity on the part of the prospective member, it would likely be difficult to do so and still be able to market the project. It is BCBC's position that limiting the size of the units and constraining the return on equity will act as a disincentive to potential high income members.

In order to ensure the units are affordable in both the short- and long-term and remain outside of the housing market, BCBC requests that the following planning and land disposal controls be considered by the Committee and Council as the means for providing the non-market housing component:

- a. the land be leased for a 60 year term, at 75% of market value. Upon expiry of the lease, the improvements and the land will revert to BCBC;

- b. the apartments be of modest size (only 1 and 2 bedrooms, and smaller than the average comparable apartment in Burnaby); and
- c. the terms of the lease to require the project to be a non-profit co-operative and the co-operative to limit the individual co-operative members' return on their equity to CPI or some other agreed-upon index.

Staff recommend that the Committee and Council also require a legal mechanism to ensure the units are available only to senior citizens. Staff further recommend that the Committee and Council instruct staff to investigate the advisability and feasibility of the City's being party to the lease agreement, to preclude the terms of the lease being altered without Burnaby's approval. Staff further suggest that the use of a CPI index should be considered in the contents of the lease arrangements.

The Board of Directors of BCBC has not yet ratified this proposal. Once Burnaby Council has considered this report, it will be presented to the Board for ratification.

The overall project, including the 75 unit mixed-income co-operative and the proposed 36 unit seniors' non- or limited-equity co-operative, is supportable in principle. However, only a preliminary sketch plan has been submitted to date and further co-ordination and discussion are required regarding the determination of a final supportable site plan and a suitable architectural and landscape design.

The 36 unit equity co-operative exceeds the total number of units originally planned for Enclaves 2a and 2b by 23. Planning staff have no objections to the proposed increase, subject to the determination of suitable final site, landscaping and architectural plans. The maximum limits on floor area and coverage noted in the Development Plan will need to be maintained. It is acknowledged that the proposed additional units will result in additional complexity (eg. additional driveways, walkways) and some population increase.

This approach is only considered supportable on the basis of providing additional non-market housing units, which are assessed as being of special social benefit. This increase in units would not be considered a precedent applicable to the market housing sites.

Both the Housing Committee and Council will need to consider whether this proposal has merit and, therefore, whether the number of units permitted could be increased from 88 to 111, all other Oakalla Development Plan statistical requirements being met.

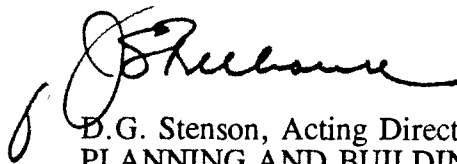
4.0 CONCLUSION

In staff's view, the proposal for a 36 unit seniors' equity co-operative as Phase 2 of the Oakalla non-market component, as outlined in this report, can be made to meet Council's non-market housing requirement. With a legal mechanism to ensure that the units are available only to seniors, the proposal helps to satisfy Council's desire to house seniors on the Oakalla site. The 75% market-value lease and the smaller units proposed will help to make the units affordable to seniors with limited income. Lease stipulations which limit equity return and restrict the project to co-operative tenure will ensure the housing remains non-profit and outside of the market. Staff suggest that the index limiting returns not exceed the CPI. This will help to ensure that over time the units remain affordable to the same target group. Also, if the City is party to the lease, more assurance can be offered that the co-operative will continue to meet the City's non-market requirement in the long-term.

Staff recommend that the Housing Committee and Council approve in principle the proposed development of a seniors' non- or limited-profit equity co-operative as outlined in this report for Phase 2 of the Oakalla non-market site.

BCBC intends to proceed with Phase 3 of the Oakalla non-market component (Enclave 1) in 1994. Their preliminary intention is to provide a 25-30 unit non-profit family co-operative, which includes some seniors' units. With approval for the equity co-operative outlined in this report, this would mean that Enclaves 1, 2a and 2b would provide a total of 136-141 non-market housing units, which exceeds the 20% non-market requirement (108 units).

Staff have concerns in relation to the intention for additional units on enclave 1 with respect to matters such as development character, the retention and configuration of the site. It should also be recognized that enclave 1 should continue to be designated for non-market housing notwithstanding the non-market unit counts associated with enclaves 2a and 2b under the current proposal.


D.G. Stenson, Acting Director
PLANNING AND BUILDING

JS/JSB:db

Attachment

cc: City Manager
City Solicitor
Director Recreation & Cultural Services
Director Administrative & Community Services

