

CITY OF BURNABY  
HOUSING COMMITTEE

HIS WORSHIP, THE MAYOR  
AND COUNCILLORS

Re: Progress Report on Non-Market Housing  
at the Oaklands

RECOMMENDATIONS:

1. THAT the acceptance by the Housing Committee of a short list of potentially eligible proposals as a result of a Proposal Call for the development of a Seniors' Equity Project be deemed to successfully address Council's requirement that substantial progress be achieved in Phase II of non-market housing before Lot 9 at the Oaklands is rezoned.
2. THAT to meet the prerequisite for phasing of the non-market housing projects, final approval of the rezoning for Lots 5 and 12 be given subject to the Phase I non-market project being given final zoning approval.
3. THAT the development of 20 housing units for families under the Provincial Non-Profit Housing Program be considered acceptable in terms of meeting the affordable housing objectives for the last phase of development.
4. THAT a copy of this report be submitted to British Columbia Housing Management Commission, at the time of the Proposal Call, as an indication of Council's support for the funding application to the Provincial Non-Profit Housing Program.

R E P O R T

The Housing Committee, at its meeting held on 1994 July 26, adopted the attached staff report which provides Council with an update on the development of affordable housing at the Oaklands and requests Council's support for the development of housing under the Provincial Non-Profit Housing Program.

Respectfully submitted,

Councillor L.A. Rankin  
Chairman

Councillor J. Young  
Member

Councillor C. Redman  
Member

<p>:COPY - CITY MANAGER - DIRECTOR ENGINEERING - DIRECTOR PLANNING &amp; BUILDING</p>
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TO: CHAIRMAN AND MEMBERS  
HOUSING COMMITTEE

1994 JUNE 21

FROM: DIRECTOR PLANNING AND BUILDING

OUR FILE: 12.300.1

SUBJECT: **PROGRESS REPORT ON NON-MARKET HOUSING AT THE OAKLANDS**

PURPOSE: To update the Committee on the development of affordable housing at the Oaklands, and to obtain support for the development of housing under the Provincial Non-Profit Housing Program.

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**RECOMMENDATION:**

1. **THAT** the Housing Committee recommend to Council the following:
  - a. **THAT** the acceptance by the Housing Committee of a short list of potentially eligible proposals as a result of a Proposal Call for the development of a Seniors' Equity Project be deemed to successfully address Council's requirement that substantial progress be achieved in Phase II of non-market housing before Lot 9 at the Oaklands is rezoned.
  - b. **THAT** to meet the prerequisite for phasing of the non-market housing projects, final approval of the rezoning for Lots 5 and 12 be given subject to the Phase I non-market project being given final zoning approval.
  - c. **THAT** the development of 20 housing units for families under the Provincial Non-profit Housing Program be considered acceptable in terms of meeting the affordable housing objectives for the last phase of development.
  - d. **THAT** a copy of this report be submitted to British Columbia Housing Management Commission, at the time of the Proposal Call, as an indication of Council's support for the funding application to the Provincial Non-Profit Housing Program.

**REPORT**

**1.0 BACKGROUND**

The development of the market sites at Oakalla has been tied to the provision of the required non-market housing units (see **attached** sketch). The first three market sites were tied to the approval of the first phase of the non-market units, the Oaklands Housing Co-operative. The next three market developments (Lots 5, 9 and 12) have been tied to the development of the second phase non-market units and the final market units have been linked to the development of the third phase non-market units. Over the last year, the Housing Committee has received three reports describing the details of the non-market housing projects as they have been developed.

In April of 1993, the Housing Committee received a report describing the proposed structure of a 75 unit mixed income housing co-operative to be located on Lot 3 of the Oaklands Development. That report noted that the viability of the project was dependent upon funding for 30 of the units being provided by BCBC and further stated that the Housing Committee would be provided with a report describing the details of the funding mechanism. This report provides a summary of the method used to calculate a loan agreement, as described in the **attached** letter from Mr. Neil Griggs, the Project Manager for the Oaklands Development. This report also updates the Housing Committee on the status of the two other non-market housing developments, and proposes a revision to the phasing of the second phase market sites.

## 2.0 PHASE I: OAKLANDS HOUSING CO-OPERATIVE - LOT 3

The British Columbia Buildings Corporation and the British Columbia Housing Management Commission are currently finalizing the lease for Lot 3 and have reached agreement in principle regarding loan assistance required for the Oaklands Housing Co-operative. The Zoning Bylaw to rezone the site is currently at Third Reading. The proponent is in the final stages of finishing off the prerequisites for Final Approval. The site is being made available to the Oaklands Co-operative for a period of 60 years.

### 2.1 Financial Assistance to Co-operative

As described in the attached letter, during the initial years of the co-op's life, the actual cost of operating and amortizing the project will be greater than the revenue received from the market rents. This "gap" between revenue and costs will be addressed as follows:

#### i) **Rent-Geared-To-Income Units**

For the 45 of the 75 units that are designated as rent-geared-to-income, BCHMC will cover the difference between the member's payment and the actual cost of operations. This is similar to the assistance provided under the Non-Profit Rental Housing Program, and is designed to assist low income families.

#### ii) **Market Rental Units**

On the remaining 30 "market" units that are geared towards moderate income families, the gap between market charges and the actual economic rent costs are to be covered by BCBC in the form of a repayable loan. Rather than pay this loan amount on a monthly basis, BCBC will forward an upfront lump-sum amount to BCHMC. BCHMC will then pay both the rent-geared-to-income subsidy and the BCBC loan to the co-op through an operating agreement. When market rents exceed economic rents, the co-op will repay the loan to

BCBC through BCHMC. Interest on that loan will be at the rate determined in the project operating agreement (to be developed) between BCHMC and the co-op. BCHMC shall firstly apply any repayment against any money it has had to pay out (if any) for the market units, over and above the money received from BCBC, and then shall repay the money it collects from the co-ops to BCBC.

The actual amount of the loan will be established at the Interest Adjustment Date and will be dependent upon a number of indexes such as mortgage rate, amortization period, operating costs, market rent and the discount rate which are to be established at that date.

### 3.0 PHASE II: THE SENIORS' EQUITY CO-OP - LOT 2

BCBC has proposed that Lot 2 be developed as a seniors' equity co-operative to fulfill the Phase II requirements. Residents in a housing co-operative purchase shares in the co-operative that entitles them to become a member and reside in a unit. The co-operative model facilitates the ability to apply restrictions on occupancy (for seniors) and resale value since shares are bought and sold rather than strata titles. Unlike the other two non-market housing sites, there is no government program or government support for seniors' equity co-operatives. In order to have some certainty that the housing will remain affordable in the long term, and that the proponent continues to do what they said that they would do, a Housing Agreement will be required as a condition of rezoning the site. The Housing Agreement, which will be registered against the title, will contain clauses dealing with:

- initial pricing of the units;
- control on price increases over time (eg. Consumer Price Index)
- occupancy of the units (eg. to seniors and older singles)

The finalized clauses of the Housing Agreement should reflect the program put forward by the successful proponent and agreed to by the City.

#### 3.1 Phasing of Phase II Non-Market Housing Relative to Market Housing

At their regular meeting of May 2, 1994, Council required that as a condition of rezoning Lots 5, 9 and 12 that substantial progress would have to be made on the second phase of the non-market housing.

Given the complexity involved in carrying out a program to develop a seniors' equity co-operative, it has become apparent that market units are much more advanced than the Phase II non-market project. Planning and Building Department staff have been working very closely with BCBC and their consultants in developing a workable process to select a proponent to develop the non-market project in absence of a senior government program.

The phasing of the market sites has been based on the principle that the non-market housing should represent 20% of the total number of units on the site. The Phase I non-market project represents 21% of all the units developed to date plus Lots 5 and 12. On this basis, we recommend that Lots 5 and 12 go through the rezoning process subject to the Phase I non-market project being given final approval. The requirement that substantial progress be achieved on the Phase II non-market project would be removed as a prerequisite to the rezoning of these sites.

With respect to Lot 9, it is recommended that an acceptance by the Housing Committee of a short list of potentially eligible proposals as a result of a proposal call would meet the prerequisite of substantial progress. The acceptance of a short list should demonstrate that an appropriate project will be developed. This short list should be ready for the presentation to the Housing Committee by the middle of September.

Completion of the rezoning for the seniors' equity co-operative, as well as substantial progress on the Phase III non-market project would be necessary before the bylaws to rezone the last market sites are finalized.

### **3.2 Details of the Proposed Seniors' Equity Co-operative**

The following details are the subject of discussions between Planning and Building Department, BCBC, and their consultants.

#### **3.2.1 Leasehold Versus Freehold Tenure**

BCBC and their consultant and Planning and Building Department staff are discussing the merits of disposing the land on a leasehold versus a freehold basis. While leasehold would allow a lower land cost, BCBC would be required to compensate the Co-operative for the value of the improvements (the "reversion") at the end of the lease. BCBC is unwilling to take on this unfunded liability. If the Co-operative were to use a "sinking fund" mechanism to compensate the last owner for the value of the improvements at the end of the lease, there is a concern that the affordability of the housing will be at jeopardy. BCBC could specify, through its lease, that the last shareholders be compensated for the value of the depreciated asset only. Since at the end of the lease BCBC would regain control of the land, the last shareholders could be compensated for the value of the land through selling or leasing the property once more.

Selling the land on a freehold basis would obviously increase the value of the land and negatively affect affordability. The project would be more viable with freehold tenure as compared to the lesser known leasehold tenure. BCBC would not have to compensate the co-operative for the value of the improvements.

In the case of freehold tenure, there would not be a lease agreement between BCBC, the Co-operative Association and the City that would help ensure that the Equity Co-op operates according to its bylaws and achieves the City's affordable housing objectives. Without the lease document, the City's Housing Agreement would be the main tool for assuring long term affordability which would mean that the City's resources would be utilized to enforce the agreement.

### **3.2.2 Strata Title Subdivision**

A second issue that will need to be resolved is whether a strata title subdivision of the property should be permitted. Strata titling would mean that the project would be eligible for CMHC insured financing and individual members could obtain higher ratio mortgages at more favourable rates than they could if they were just obtaining financing for shares in the co-operative. This means that the housing would be available to a wider range of purchasers, for example, people who do not have equity in their own homes, as compared to a traditional housing co-operative. This would mean, for example, that this project would be accessible to older single people who had never owned a home; a group that has been identified as having a housing need. The Housing Co-operative would own the strata titles.

The major concern about permitting strata titling is that the Co-operative may be able to, through an extraordinary resolution, dissolve the co-op and create a strata title corporation. The Housing Agreement may be the only vehicle that could ultimately prevent such action. Planning staff are concerned that given the potential financial windfall that could be achieved through the conversion of the project to condominium tenure, the Housing Agreement, being a new regulatory tool, may not adequately deal with this possible outcome.

### **3.2.3 Discussion**

Planning and Building Department staff prefer the use of a land lease due to its positive impact on affordability, and the influence that the lease document has over ensuring long term affordability. Strata tile subdivision of the site is acceptable under this scenario, as long as a Housing Agreement is registered.

Staff are willing to recommend consideration of freehold tenure and strata title subdivision of the site as long as the successful proponent can demonstrate that the long term objectives of providing affordable housing through a seniors' equity co-operative can be achieved. One means, for example, may be holding the land through a Land Trust, which would

ensure that the terms of the Housing Agreement are adhered to, and ensure that the land is held for the purposes of affordable housing in perpetuity. There may be other methods proposed by proponents to achieve this goal.

### **3.3 The Proposal Call**

In the near future, BCBC plans to invite groups to submit proposals for the development of the property. The short listed submissions will be presented to Burnaby for comment after which BCBC will select the submission that best meets the terms of the Proposal Call.

The selected proponent will have to be acceptable to the City in terms of meeting our affordable housing objectives for the Oaklands site. The Housing Committee will be kept informed as more details are made available.

### **4.0 PHASE III: NON-PROFIT FAMILY RENTAL PROJECT - LOT 1**

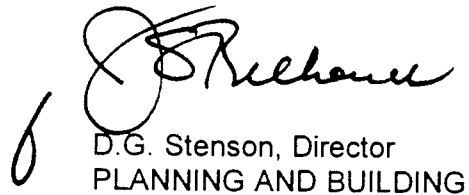
BCBC has proposed that Lot 1 be developed for twenty rental units for low income families developed under the British Columbia Housing Management Commission (BCHMC) Family Non-Profit Rental Program. BCBC has reached an agreement with BCHMC that BCHMC will market the site under their 1994 Non-Profit Rental Program. BCHMC will circulate information on Lot 1 to their stakeholder list immediately and will require submissions on this site by September 15, 1994. If successful, this site could receive an allocation as early as October 1994, constituting substantial progress for this site.

### **5.0 CONCLUSION**

The first phase project (Oaklands Housing Co-operative) is nearing completion of the rezoning stage. Phase III, the proposed Family Non-Profit rental project is considered acceptable in terms of meeting the affordable housing objectives for the Oaklands site. The challenge will be in this case, to obtain the approval of the project from BCHMC. In light of BCHMC's desire to receive with each funding application an indication that the proposal meets the City's Community Plan requirements and housing objectives, staff also recommend that a copy of the approved report be submitted to BCHMC.



Phase II, the proposed seniors' equity project is considered much more complex since there is not a standard program that can be accessed. Given this complexity, and the advanced stage the rezoning of the second phase of the market sites, Planning staff believe that for substantial process be achieved in this phase of non-market housing before Lot 9 is rezoned, arising from the Proposal Call, there should be a short list of potentially eligible projects accepted by the Housing Committee. With respect to the tenure of the land, staff prefer leasehold tenure because of its impact on affordability but are willing to consider freehold tenure if a proponent can prove that the long term affordability of the project is assured. Finally, considering that the Phase I non-market site represents 21% of the total number of units developed, including Lots 5 and 12, it is recommended that these two lots go through the rezoning process subject to the Phase I non-market project being given final zoning approval.

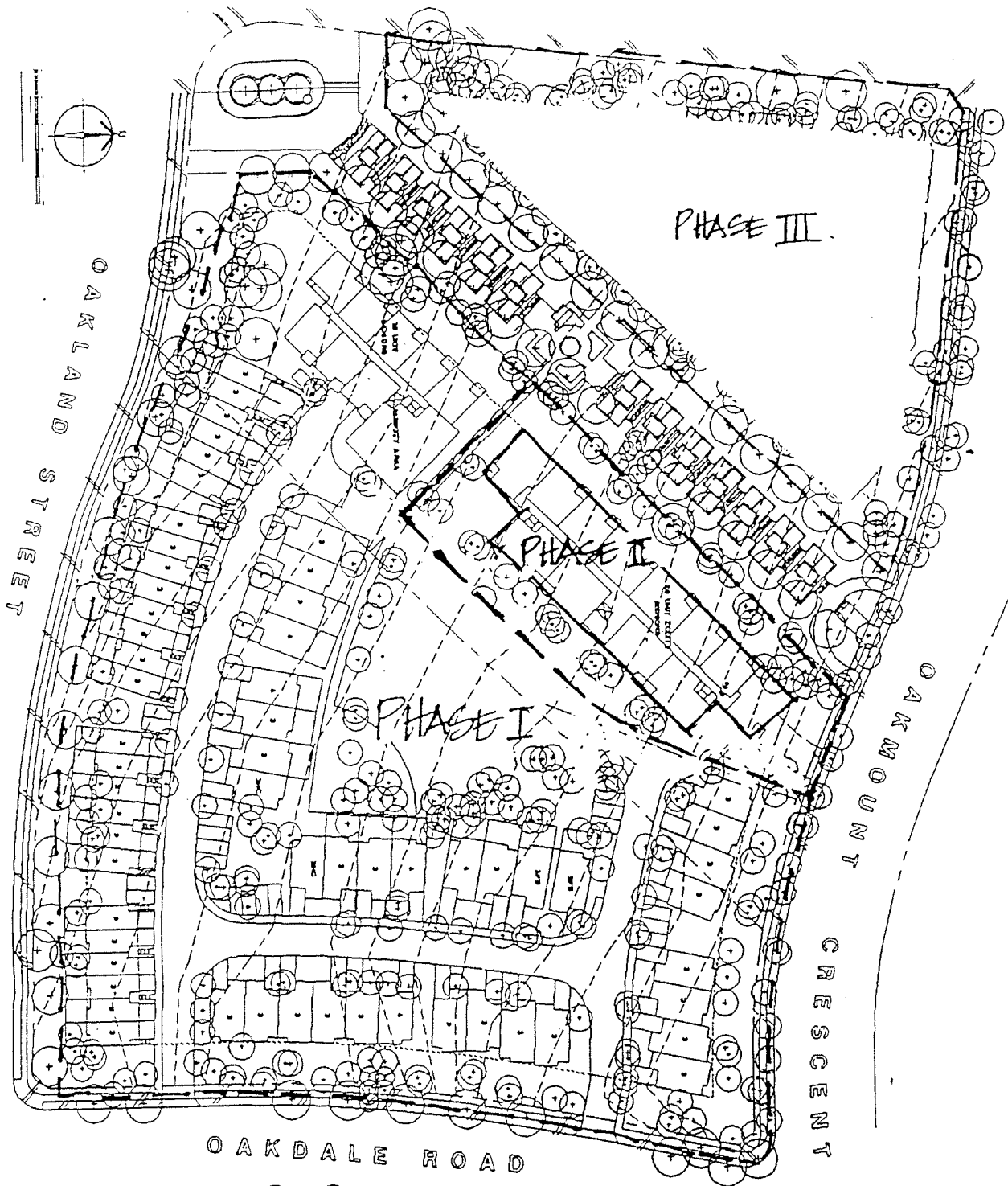
  
D.G. Stenson, Director  
PLANNING AND BUILDING

BG/jp

Attachments (2)

cc: City Solicitor

ROYAL OAK



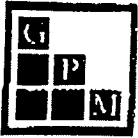
DIAGRAMMATIC SKETCH  
 ENCLAVES 2a & 2b (Phase I - 75 units & Phase II - 36 units) -  
 ENCLAVE 1 (Phase III)

41

DATE: 10/10/1961	PROJECT: OAKLANDS
CLIENT: OAKLANDS	DESIGNER: D.L.
SITE: 41	

154 30  
 128 30  
 100 30  
 100 30

HUGHES  
 BALDWIN  
 ARCHITECTS



# GRIGGS PROJECT MANAGEMENT LTD.

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May 26, 1994

Mr. Don Stenson  
Director of Planning & Building  
City of Burnaby  
4949 Canada Way  
Burnaby, B.C.  
V5G 1M2

Post-It™ brand fax transmittal memo 7671		# of pages ▶ 3
To: <i>Don Stenson</i>	From: <i>Neil Grigg</i>	
Co.	Co.	
Dept.	Phone #	
Fax # <i>294 7220</i>	Fax #	

Dear Mr. Stenson:

Re: Progress Report on Non Market Housing Phases 1, 2 & 3

Phase I Oaklands Housing Co-Operative Lot 3

On April 29th 1993, the Housing Committee received a report from the acting Director of Planning & Building on the Non Market Housing component for Oakalla Lands. The report outlined the 75 unit mixed income non profit housing co-op and reported that its viability was contingent upon funding for 30 units being provided by BCBC. The report also noted that the Housing Committee would be provided with a supplementary report in due course describing the terms of the funding and the lease.

A Council Report of October 27th 1993, on the rezoning of Lots 2 & 3 was approved subject to confirmation by BCBC that "29 units of family housing for which BCBC is providing financial subsidy".

This report is to provide your Planning staff with the terms of the loan assistance and a copy of the lease which has been reached in principle between BCBC and BCHMC. We understand from Beverly Grieve that this information will be adequate for the preparation of a report to the Housing Committee meeting of May 31st.

The following is a summary of the method used to calculate this loan agreement:

The British Columbia Buildings Corporation and the British Columbia Housing & Management Commission are in the final stages of completing the Lease and have reached agreement in principle regarding the loan assistance for the Oaklands Housing Co-Operative.

During the initial years of the co-op's life, actual cost of operating and amortizing the project will exceed the return that can be obtained by letting the project on the open market. Where units are rent-g geared-to-income, BCHMC will cover the difference between the member's payment and the actual cost of operations. Where units are "market" the gap between market charges and actual economic rent costs are to be covered by BCBC in the form of a loan. BCBC does not want to pay this loan on a monthly basis, but instead has agreed to pay an upfront lump amount. BCHMC will receive this up-front payment. BCHMC will then pay both the rent geared-to-income subsidy and the BCBC loan to the co-op on a monthly basis through an operating agreement. Through its operating agreement with the co-op the BCBC loan will be repayable once market rents exceed economic rents.

The actual amount of the Loan Agreement will be established at the Interest Adjustment Date and will be dependent upon a number of indexes such as mortgage rate, amortization period, operating costs, market rent, and the discount rate which are to be established at that date.

Once the cost of operations becomes less than market rent amounts, the co-op shall begin repayment of the loan to BCHMC. Interest on the loan shall be at the rate determined in the project operating agreement (to be developed) between BCHMC and the co-op. BCHMC shall firstly apply any repayment against money it has had to pay out (if any) for the market units, over and above the money received from BCBC, and then shall repay the money it collects from the co-ops to BCBC.

#### **Phase II Seniors Equity Co-Op Lot 2**

Council on May 2nd 1994, required as a condition of rezoning Lots 5, 9 & 12 that substantial progress had to have been made on the second phase of non market housing.

The following is a summary of this progress:

BCBC and Burnaby Planning have now reached agreement as to the terms and conditions of the Housing Agreement that is to be applied to this leased site to accommodate thirty six Seniors Equity Co-Op apartments. This Agreement is now being incorporated into a Proposal Call document. BCBC in June of 1994, will invite groups to submit proposals to develop this property. The short listed submissions will be presented to Burnaby staff for comment after which BCBC will select the submission that best meets the terms of the Proposal Call.

BCBC has completed a schematic drawings in concert with Burnaby Planning Department for the 36 unit apartment project and these drawings will be incorporated into the Proposal Call as a guide for development.

A rezoning application was made in April 1994, and while the proponents chosen through the proposal call process will take over the rezoning application it is BCBC's objective to have the site rezoned in the early summer of 1995 with construction to commence in the late Summer of 1995.

**Phase III Non Profit Family Lot 1**

BCBC proposes that Lot 1 be developed for twenty Family Non Profit Rental townhouses on leased land under the BCHMC 1994 program. A schematic design has been prepared by BCBC for twenty townhouses, in conformity with the existing zoning. It has been reviewed by Burnaby Planning and this schematic design will be incorporated into the BCHMC application which is anticipated for July 1994. In July of 1994, BCBC in concert with Burnaby will invite Non Profit Societies to express interest in developing this site. A Non Profit Society will then be selected whose responsibility will be to re-develop this site.

Should you require any additional information regarding the progress of any of the above properties please do not hesitate to contact myself.

Yours truly,  
GRIGGS PROJECT MANAGEMENT LTD



PP Neil Griggs

c.c. M. Robinson  
H. Charania

