



**Committee of the Whole Report
For the Meeting of June 25, 2020**

To: Committee of the Whole **Date:** June 11, 2020
From: Karen Hoes, Director, Sustainable Planning and Community Development
Subject: **BC Housing's Affordable Home Ownership Program - Memorandum of Understanding**

RECOMMENDATION

That Council authorize the Mayor and City Clerk to execute a memorandum of understanding ("MOU") with BC Housing, on the terms satisfactory to the City's Director of Sustainable Planning and Community Development, and in the form satisfactory to the City Solicitor, to guide the City of Victoria's participation in BC Housing's Affordable Home Ownership ("AHO") Program, generally in accordance with the following terms and conditions:

- a) that contributions by BC Housing in the form of below market construction financing, from the City in the form of extra density, parking and other zoning relaxations, and from the developer in the form of in-kind community amenity contributions, will be pooled to reduce the cost of home ownership to eligible participants;
- b) that for all AHO Program participants, homes will be sold to eligible purchasers at fair market value, but a portion of the purchase price (between 10% - 20%) will be covered by a 25 year interest free mortgage in favour of BC Housing (known as the second mortgage);
- c) that eligible purchasers must meet a number of eligibility criteria, principal among which is that their household income cannot exceed the 75th income percentile for families with children for units with two or more bedrooms, and for families without children for units with less than two bedrooms, as determined by BC Housing from time to time;
- d) that the second mortgage will not be repayable until the owner defaults on any mortgage registered against title, until there is a change of ownership to a non-qualifying buyer, or to a qualified buyer (through registration discharge of the existing mortgage and a new second mortgage on title of the new qualified buyer), or if the unit ceases to be the owner's principal residence during the first five years of ownership or the 25 year term ends;
- e) that when that mortgage is repayable, a percentage (between 10% - 20%) of the sale price equivalent to the percentage of the vendor's original purchase price secured by that mortgage will be payable to BC Housing;
- f) that once each year all such second mortgage proceeds collected by BC Housing will be transferred to the Victoria Housing Reserve Fund, less 2% to cover its administration costs; and

- g) that this MOU is non-binding and nothing in the MOU is to be construed as limiting Council, the City, or any City official in exercising their discretion with regard to any rezoning, permitting or subdivision of lands.

EXECUTIVE SUMMARY

This report introduces BC Housing's new Affordable Home Ownership Program that seeks to increase the supply and range of affordable ownership options for eligible households and supports their transition into market ownership. Council direction is sought for staff to execute a memorandum of understanding ("MOU") with BC Housing. The AHO Program has been designed to require all partnering municipalities to enter into the MOU with BC Housing. This agreement supports a shared understanding of the program between BC Housing and the City of Victoria, as well as provides assurance that Council is open to considering development applications under this program. By entering into this MOU, development applications participating in this program may be processed more efficiently, and the Inclusionary Housing and Community Amenity Policy outcomes may be enhanced.

PURPOSE

The purpose of this report is to provide Council with information on BC Housing's new Affordable Home Ownership Program, which is administered by the HousingHub and to seek Council direction to execute an MOU with BC Housing.

BACKGROUND

The City of Victoria recognizes the need for more affordable housing opportunities across the housing continuum. The price for owned and rental housing options continue to rise faster than local incomes, making access to affordable, safe and appropriate housing out of reach for many households. Several City goals, actions and policies currently support affordable home ownership initiatives.

Victoria's Strategic Plan 2019-2022 identifies affordable housing as a strategic objective, and measures success of this objective through the increase in the percentage of residents who own their own homes.

The Inclusionary Housing and Community Amenity Policy was adopted by Council on June 27, 2019 and includes an option for larger projects (that propose 60 total units or greater) and that request bonus density, to provide onsite affordable rental or home ownership units as Community Amenity Contributions (CACs). The affordable home ownership units are expected to be offered at below market prices and achieve long-term affordability and public benefits, in the form of restrictions upon resale or the collection of cash-in-lieu CACs upon resale as part of BC Housing's Affordable Home Ownership Program.

ISSUES & ANALYSIS

1. Affordable Home Ownership:

In the City of Victoria, the barriers to home ownership continue to mount in recent years due to escalating housing prices in relation to local incomes. There are several Affordable Home Ownership models across Canada that seek to support renters' transition into ownership. Several

Affordable Home Ownership programs currently operate in the CRD, including BOSA's Rent-to-Own Program, the Capital Region Housing Corporation (CRHC) Affordable Housing Agreements Program and Habitat for Humanity. Each model shares the same goal of expanding home ownership options, while offering unique mechanisms for achieving affordability over time.

2. BC Housing's Affordable Home Ownership Program:

The Affordable Home Ownership Program (AHO) (Attachment A) is delivered by the HousingHub, which is a division of BC housing, established to create innovative partnerships across the housing sector to expand the range and supply of housing for middle income earners. The HousingHub is distinct from traditional BC Housing programs in that it does not provide direct funding or operating subsidies.

The HousingHub's AHO program creates new opportunities for eligible households to transition into market ownership and build equity. The program offers benefits to partnering municipalities, by increasing the share of residents who own their own homes, helping to alleviate demand pressures on an overburdened rental market, contributing to the housing reserve fund that provides grants to affordable rental housing projects, and by diversifying the supply and range of options across the housing continuum.

The AHO Program provides homebuyers a way to bridge the gap between the mortgage they can afford and the market cost to own a home. BC Housing will administer below-market rate units for eligible homebuyers. A second mortgage will be registered on title, in order to lower the purchase price for the qualified buyer. The second mortgage is provided by the developer, as a community amenity contribution to the municipal government. The homebuyer is able to maintain ownership of the unit, transfer the second mortgage to the next purchaser, or sell the unit and repay the second mortgage at that time. The mortgage will be for a 25-year term, interest and payment free. Should the unit be sold at market value after 5 years, the City's contributions will be repaid as the proportion of the market value upon resale and put towards creating new affordable housing through the Victoria Housing Reserve Fund (VHRF). Purchasers will benefit through reductions of qualifying household income amounts, mortgage payment and mortgage insurance or premium charge requirements.

3. Affordability Targets for Home Ownership:

The City of Victoria's Official Community Plan defines affordable housing as costing less than 30% of gross household income for residents in Victoria. The Victoria Housing Strategy ties this definition of affordability to very low to moderate earners in the City. For homeownership, units are secured at below market rates with maximum household income thresholds, so that the units can be effectively and efficiently sold to qualified buyers. The City of Victoria expects that applicants are either a non-profit and government agency or be partnered with one, and that the affordability of the home ownership units currently target households with annual gross incomes of between \$55,000 and \$84,999, representing 80 to 120% of the Capital Region's median gross household income.

Victoria's Affordable Home Ownership income targets are flexible in order to align with existing or emergent government programs, such as the HousingHub's AHO Program. This flexibility is needed to ensure that the diversity of affordable home ownership programs remain viable, by ensuring that there is a sufficient pool of eligible purchasers and in response to fluctuating mortgage approval requirements. Specifically, the proportion and amount of household income required to qualify for

a mortgage fluctuates over time and is determined externally by financial institutions. For instance, it is estimated that for family sized units (+2 bedrooms) in the City of Victoria, current mortgage qualification expectations require household incomes above \$85,000. The HousingHub's AHO Program's maximum income eligibility thresholds are higher than the City of Victoria's moderate-income range. However, the AHO units will be secured at a percentage below-market rates, with a mix of unit sizes and it is therefore anticipated that most units will serve incomes below BC Housing's maximum income range, and on average will serve the City's moderate-income range.

4. MOU Scope and Contents:

BC Housing requires that all municipal partners of the AHO program, who will be considering development applications under this program enter an MOU. The MOU is non-binding, but it will support a shared understanding of the program's guidelines and mechanics, as well as provide clear and consistent evaluation criteria to be used during both BC Housing and the City of Victoria's approvals processes. Although the AHO program has been designed to include the MOU as a program requirement, BC Housing has stated that they may consider continuing to partner with the City of Victoria should Council provide a strong rationale or preference for not entering into the MOU.

It is therefore recommended that the City of Victoria enter into an MOU with BC Housing in order to establish the basic business terms and conditions upon which BC Housing and the City intend to proceed with discussions and negotiations for the construction of affordable home ownership developments. The MOU provides assurance to BC Housing and applicants, that Council is open to considering developments participating in this program. The MOU will increase clarity of Council's expectations, which may improve development approval timelines and may enhance the outcomes of the Inclusionary Housing and Community Amenity policy. Should a rezoning application be approved by Council and proceed under the AHO Program, the conditions outlined in the recommendation are expected to be met.

Notwithstanding the MOU, the City of Victoria would continue to consider rezoning applications on their own merits and each development proposal participating in this program, would require legal agreements to secure community amenity contributions and other conditions of the approval. However, the MOU will provide clear guidelines to all project partners, which help to streamline the negotiation process for specific development applications and when securing specific terms of legal agreements.

OPTIONS & IMPACTS

Option One

Direct staff to enter into an MOU with BC Housing for the AHO Program. **(Recommended)**

The AHO Program requires an MOU between BC Housing and all municipalities partnering in this new program. The MOU is non-binding, but it establishes a shared understanding of the program, and an evaluation framework for considering development proposals under this new program. The MOU provides assurance to BC Housing and applicants, that Council is open to considering developments participating in this program. The MOU will increase clarity of Council's expectations and therefore, may improve development negotiation timelines and may enhance the outcomes of the Inclusionary Housing and Community Amenity policy.

Option Two

Do not enter into an MOU with BC Housing for the AHO Program

The AHO program has been designed to include the MOU as a program requirement, however, BC Housing has stated that they may consider continuing to partner with the City of Victoria should Council provide a strong rationale or preference for not entering into the MOU.

Without the MOU in place, the specific conditions and terms for each application participating in the program will need to be determined and secured on a case-by-case basis. This option is feasible, however, development applications under this program will be provided with less clarity regarding Council's objectives, reducing the likelihood that applications will come forward under this program and the development application process may require additional time and resources.

Accessibility Impact Statement

There are no accessibility objectives as part of the BC Housing Affordable Home Ownership Program Framework.

2015 – 2018 Strategic Plan

This work builds upon an action in the 2019-2022 Strategic Plan, under Strategic Objective #3: Affordable Housing, to develop a community amenity contribution policy as it helps support implementation of the City's Inclusionary Housing and Community Amenity Policy.

Impacts to Financial Plan

The impacts of participation in this program are unknown at this time and it is dependent upon the market trends, rate of developments that participate in this program and Council's development approval decisions. The financial contributions to this program may either result in below market units secured in perpetuity, or cash contributions to the Victoria Housing Reserve Fund upon unit resale, which will be used for affordable housing development in the city.

Official Community Plan Consistency Statement

The proposal is consistent with the OCP, particularly Chapter 13, Housing and Homelessness; and the Density Bonus policies (19.7 – 19.9).

CONCLUSIONS

The HousingHub's Affordable Home Ownership Program reduces barriers to market ownership for residents in the Capital Region and supports development applicants to fulfil the expectations of the City's Inclusionary Housing and Community Amenity Policy. It is therefore, recommended that Council enter into the MOU with BC Housing's HousingHub, in order to enhance a shared understanding of the program expectations and affirm Council's reception for considering development applications utilizing this program.

Respectfully submitted,



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Housing Planner



Karen Hoese
Director, Sustainable Planning and Community
Development



Report accepted and recommended by the City Manager: _____

Date: June 19, 2020

List of Attachments

Attachment A: BC Housing's HousingHub Affordable Home Ownership Program Framework,
January 2019