



City of Port Moody

Report/Recommendation to Council

Date: November 16, 2017

File No. 01-0530-01/2017

Submitted by: Councillor Diana Dilworth

Subject: Transit-Oriented Affordable Housing Study

Purpose / Introduction

To provide a summary of the Metro Vancouver Transit-Oriented Affordable Housing Study (Activities 1 and 4) recently presented to the Metro Vancouver Regional Planning Committee; and to provide recommendations for advancing the development of housing policy for the City of Port Moody.

Recommended Resolutions

THAT a Council-led Affordable Housing Task Force composed of three members of Council be established to recommend policies for an update of the City's Affordable Housing Strategy, including the provision of affordable housing in Transit-Oriented Development (TOD) areas as recommended in the report dated November 16, 2017 from Councillor Diana Dilworth regarding Transit-Oriented Affordable Housing Study;

AND THAT the Affordable Housing Task Force report back with recommended housing policies to be included in an updated Affordable Housing Plan, with a particular focus on Transit-Oriented Development, by February 2018.

Background

The City last reviewed and updated its *Affordable Housing Strategy* in April 2009. While the broad goals identified in the Strategy are still relevant today, there is a definite need to update existing policy and adopt new policies to address trends, challenges, and opportunities now being seen in the current housing situation, including the establishment of Transit-Oriented Development (TOD) areas in Port Moody.

In 2016, the Metro Vancouver Regional District developed their *Regional Affordable Housing Strategy* and, in November 2017, presented partial findings of their *Transit-Oriented Affordable Housing Study* to the region's Regional Planning Committee, of which I am a member. Both these documents should be referenced in updating the City's Affordable Housing Strategy and development of new policy.

City staff do not have adequate capacity to deal with the development of housing policy as a priority, and have targeted Q2 2018 to complete requested housing policies related to Rental Replacement, Tenant Relocation, Inclusionary Zoning, and on a potential Cash-in-Lieu of Parking Program.

A Council-led task force could undertake a review of existing policy recommendations from Metro Vancouver's reports and other progressive policies already implemented in other municipalities (ie: New Westminster's Family Friendly Housing Policy) and fast-track recommendations back to Council. Given anticipated development applications coming forward, having strong and progressive housing policy in place assists both staff and Council in their decision-making processes.

Discussion

In 2016, Metro Vancouver, the BC Non-Profit Housing Association, TransLink, BC Housing, and Vancity Credit Union began a study into the value of affordable housing near transit, and the tools to help make affordable rental housing projects financially viable in transit-oriented locations across Metro Vancouver and beyond.

On November 3, 2017, the Metro Vancouver Planning Committee received two presentations, which I believe are particularly relevant to the discussions Council is having regarding transit-oriented development, and the need for affordable housing.

The purpose of Metro Vancouver's study is to incrementally advance information about the context and tools that could assist in making affordable rental housing projects financially viable in transit-oriented locations, and is centered on five specific activities which included determining housing gaps; researching innovative practices; quantifying relationships between income, tenure, and transit use; and identifying financial viability gap analysis of purpose-built rental housing and sharing the resultant knowledge with stakeholders. The study is, for the most part, complete; it is anticipated that a formal presentation to Council will take place in the near future.

In the first presentation, the BC Non-Profit Housing Association (BCNPHA), as a research partner with Metro Vancouver, presented its findings that included a regional rental housing supply gap. It concluded that the supply gap for affordable housing will increase between 2017-2026 if the status quo is allowed to continue.

**Estimated rental demand and supply by low-income groups,
 Metro Vancouver, 2017-2026**



The BCNPHA study conducted a review of recent investments in affordable housing and policies for affordable housing in transit areas, as well as affordable housing initiatives. Their study provides a regional context for potential partnerships to create deeper levels of affordability and opportunities to integrate housing and transit policies.

It is recognized that now is the time to act; this is emphasized by the fact that all levels of government are at the table and have committed funding towards these initiatives. Over the next ten years, there is \$1 billion of funding for affordable housing allocated within Metro Vancouver. There is much work to be done, but the fundamental belief lies in the understanding that we must pursue development and investment decisions that help households of all incomes to have the opportunity to share in the benefits of walkable, livable, and transit-rich communities.

In conclusion, the report recommends a coordinated strategy that involves leadership and a shared vision around the creation of progressive policies using a collaborative approach involving municipalities, TransLink, Provincial and Federal agencies, community-based organizations, developers, and the business community. These policies would include tools that would promote mixed-income rental housing near transit, with an emphasis on the need to have various policy interventions from various partnering agencies to create affordability.

The second presentation, made by Metro Vancouver staff, provided an overview, key findings, and suggested next steps on providing affordable housing in Transit-Oriented Development areas. This report provided a description of affordable housing as 'housing costs that do not exceed 30% of pre-tax household income' and for the purposes of the report received, the focus was on households with an annual income less than \$50,000, which equates to monthly rent of approximately \$1,300.

The report shared five key findings:

1. Demand for rental housing, particularly housing affordable to households earning less than \$50,000 per year, is not being met across the region;
2. Renter households, especially those earning less than \$50,000, are more likely to use transit; Transit-Oriented Affordable Housing provides improved access and mobility, and a higher return on investment in public transportation;
3. New affordable rental housing is undersupplied because rents generated do not cover the costs of development; the challenges are amplified in transit-oriented locations;
4. There are creative ways to tackle land and construction costs, but it remains very challenging to make new affordable housing financially viable; and
5. Initiatives in other jurisdictions may be worth exploring to generate new affordable rental housing near frequent transit; existing actions could potentially be scaled up; and partnerships are key.

In short, the report outlines that there is a need to provide affordable housing in Transit-Oriented Development areas and that this cannot be achieved with medium-density development; affordable housing in Transit-Oriented Development areas can only be achieved through high-density development that is brought about through policies and partnerships.

I believe that the City of Port Moody has a tremendous opportunity to realize a lasting and significant increase in affordable housing, through the creation of much needed policies and direction. There are two Transit-Oriented Development areas envisioned for Port Moody – Coronation Park and Moody Centre. While the OCP amendments play a significant first step in this vision by assigning the appropriate density, it is the policies and zoning that will play a crucial role in the provision of affordable housing in these areas. It is essential that these policies be created immediately. I believe that, similar to the approach used to develop our sustainability plan, a Council-led task force is the best vehicle to achieve this result.

The Affordable Housing Task Force would have a mandate to research and recommend policies related to the provision of affordable housing in Port Moody, particularly in Transit-Oriented Development areas, and would be composed of three members of Council. The task force would report back to council by February 2018 with recommendations for policies, etc.

Other Options

THAT an Affordable Housing Task Force not be established.

Financial Implications

There are no financial implications associated with the recommendations in this report.

Communications / Civic Engagement

The work of this task force may include consultation with external stakeholders such as residents, business leaders, developers, and planners.

Council Strategic Plan Objectives

This initiative meets the objective of creating enhanced affordable housing policies under the strategic priority of Community Planning.

Attachments:

1. City of Port Moody, Affordable Housing Strategy (2000) (Excerpt).
2. Metro Vancouver, Transit-Oriented Affordable Housing Strategy (2017), Key Findings.

Prepared by:



Diana Dilworth
Councillor

City of Port Moody**Affordable Housing Strategy for Port Moody (2209)****(Excerpt)****Executive Summary**

This Affordable Housing Strategy for Port Moody recognizes that a vibrant, healthy city consists of a diverse population made up of a variety of household types with a range of incomes, and that such a city includes adequate and affordable accommodation for all residents. This commitment is expressed in Port Moody's Official Community Plan, along with the appreciation that Metro Vancouver's expensive housing markets can make affordability a serious problem.

Port Moody undertook an Affordable Housing Study in 1993 and an Update of the study in 1999, with the result that the City initiated a number of measures promoting affordable housing including a secondary suites policy, an Affordable Housing Reserve Fund, and providing land and opportunity for the Inlet Centre residences. This Affordable Housing Strategy builds upon that work. It was developed by examining housing and income data from the City and the region, exploring the roles and activities of all levels of government in providing affordable housing, and consulting with Port Moody stakeholders, key informants and interested community residents.

The Strategy consists of three Goals and a number of Actions that are separated into current, mid-term and long-term Actions. Together they form a process by which the City of Port Moody, in combination with other levels of government, can contribute to increasing the supply of housing for those of low or moderate incomes and to work towards affordability and suitable accommodation for all households.

Goals

The City of Port Moody, through its Affordable Housing Strategy will seek to:

1. Promote and maintain a wide range of innovative housing opportunities to meet the changing needs of a diverse population of varying ages, income levels, family types, accessibility and lifestyles.
2. Protect the stock of existing affordable rental housing in Port Moody.
3. Enhance the continuum of housing and supports for the citizens of Port Moody who are at risk-of-homelessness

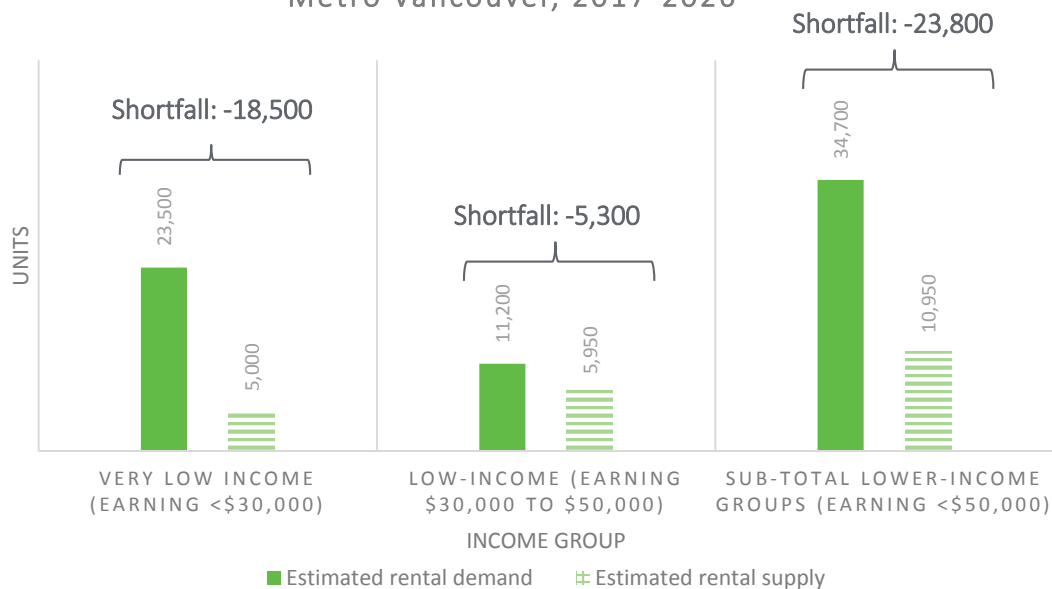
APPENDIX – KEY FINDINGS AND SUPPORTING INFORMATION**KEY FINDINGS**

The Transit-Oriented Affordable Housing Study provides incremental information about the context and tools that could assist in improving the financial viability of affordable rental housing projects in transit-oriented locations. The study is not intended to capture all of the causal factors and solutions for the housing affordability crisis in the region. In fact, many of the study findings will be already familiar to policy makers and practitioners. Many efforts are underway to increase the supply of rental housing. The value of the study is in collating the familiar as well as lesser known information in one package which can be used as a resource. The key findings, and supporting information, are presented below.

Key Finding 1: Demand for rental housing, particularly housing affordable to households earning less than \$50,000 per year, is not being met across the region.

Metro Vancouver analysis of rental housing data from 2011 to 2014 shows that new rental housing supply fell short of total rental demand by about 6,800 units. The new rental housing supply met only two-thirds of the demand for affordable housing for lower income households earning less than \$50,000 per year. Taking into account past trends and recent development activity through 2016, the BCNPHA estimates that over the next 10 years (2017-2026) the total regional housing shortfall for lower income households could reach between 24,000 to 27,000 units.

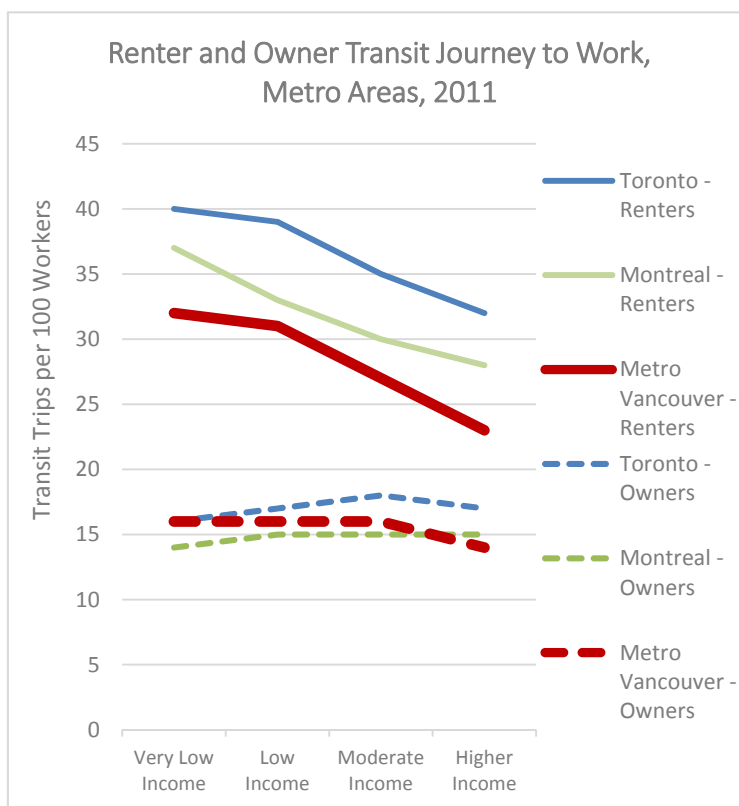
Estimated rental demand and supply by low-income groups,
Metro Vancouver, 2017-2026



Key Finding 2: Renter households, especially those earning less than \$50,000, are more likely to use transit. Increased ridership means a higher return on investment in transportation. Access to frequent transit reduces transportation costs and improves access to services and employment.

Transit usage rates for renters consistently exceed that for owners, even after controlling for density, household income, and location. Transit usage rates for renters generally rise as income declines, but transit usage rates remain generally flat for owners. Lower income households have the highest transit usage rates. These patterns are consistent amongst the big regions in Canada, and within select rapid transit, B-Line, and frequent bus corridors in Metro Vancouver.

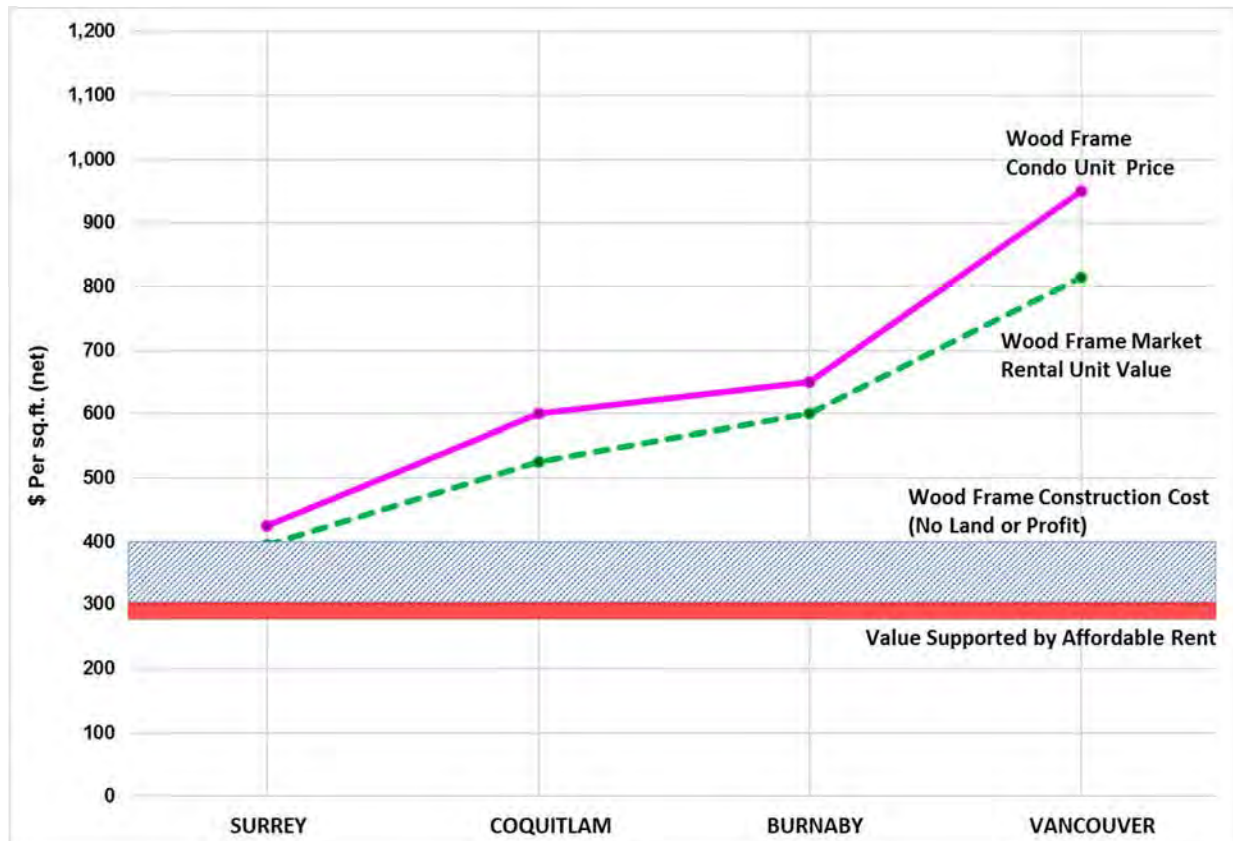
Having access to frequent transit may make it easier to absorb high housing costs. In general, renter households have a higher combined housing and transportation cost burden than do owner households (49% to 40%). Lower income renter households can have a cost burden close to two-thirds of their pre-tax income.



Key Finding 3: The primary reason new affordable rental housing is undersupplied is because the rents generated do not cover the costs of development (land and construction costs). The challenges are amplified in transit-oriented locations.

The challenges for purpose-built rental housing were quantified based on an analysis of 13 sites in four housing submarkets in the region. To make a rental housing project financially viable, the expected rental income must be able to cover the construction cost, cost of land, and developer's profit (except in a non-profit project). Rents that are affordable to lower income households cannot even cover the cost of construction for wood frame construction (\$300-400/sqft), which is lower than concrete construction (\$400-500/sqft). For affordable rental housing³, even if construction costs could be reduced, the rental income still would not be able enough to pay for land. All in else being equal, a developable parcel will be sold to the highest bidder for either a strata or market rental housing development.

³ In the analysis, an annual household income of \$50,000 was assumed to support a rent of approximately \$1,300 per month for a 2+ bedroom; and, an annual household income of \$30,000 was assumed to support a rent of \$800 per month for a studio or 1 bedroom.



Market rental housing in wood frame stands a better chance of being financially viable. In three of the housing submarkets examined, full market rent is capable of paying for construction and having remaining capital for land. Even though the competing strata development can outbid for land, the variance is much narrower, meaning it will take less adjustment to construction costs and/or land costs to make these market rental projects financially viable. One trade-off is that the density supportable by wood frame given current regulations is less than that for concrete construction.

These challenges are amplified in transit-oriented locations. Regional and local policies encourage higher density development in locations within walking distance to frequent transit to support modal shift and compact communities. The expectation for higher density generally necessitates concrete construction, which is not a viable option for affordable rental housing and very challenging for market rental housing in many submarkets. In the absence of public intervention, it may be easier financially to orient medium density development in wood frame further away from frequent transit and towards neighbourhoods designated for medium levels of density. The potential drawback to this option is whether access to transit would be reduced. Even then, this scenario is not a silver bullet – medium strata development may still be bidding for the same parcels.

Key Finding 4: There are creative ways to tackle land and construction costs, but it remains very challenging to make new affordable rental housing financially viable.

Even within the current funding and regulatory context, many local governments have been able to catalyze new purpose-built rental housing through creative means by targeting construction costs and/or land costs, and by working in partnership with other levels of government and non-profit partners. The following is neither an exhaustive or prioritized list of tools, but rather a representation of the menu of actions that may be selected and combined in different ways to help, depending on a project's context, improve a project's financial viability.

Targeting construction costs:

- *reduce on-site parking requirements*
- *reduce development charges*
- *reduce construction financing costs*
- *encourage wood frame construction in medium density areas*

Targeting land costs:

- *provision of lands under public or non-profit ownership for a discounted price or at zero costs*
- *use density bonus on a strata development project to achieve market rental and/or affordable rental units*

Key Finding 5: There are initiatives in other jurisdictions that may be worth exploring in the Metro Vancouver region, as well as existing initiatives that could potentially be scaled up, to generate new affordable rental housing near frequent transit. Partnerships with other levels of government, non-profit housing providers, and other regional stakeholders will be key.

Through Activity 1, BCNPHA reviewed policies and programs in other jurisdictions that could be potentially applicable in the region, as well as existing initiatives that could potentially be scaled up. Their potential acceptability and effectiveness in addressing either construction or land costs will require further research. Several sample initiatives are described below. Partnerships with other levels of government, non-profit housing providers, and other regional stakeholders will be required in most instances.

Transit-oriented affordable housing loan funds: *a dedicated regional pool of funding is made available in the form of loans at below-market rates to affordable housing developers to pay for land acquisition, predevelopment activities, or construction expenses for projects in eligible transit-oriented locations. Once these loans are paid back into the fund, new loans can be issued. In the United States, these funds are capitalized with public, philanthropic, and private monies. Transit-oriented affordable housing loan funds have been established in the Puget Sound region (\$21 million), Denver region (\$24 million), and the San Francisco Bay Area (\$50 million fund).*

Transit-oriented inclusionary housing policies, including zoning for rental housing: *This action sets the expectation for the development community to include affordable rental housing as part of a project application. The certainty provided in policy may work to recalibrate land prices and expectations near*

frequent transit. Zoning lands for rental housing may have a similar effect (municipalities have the authority to zone for affordable housing, provided the affected property owner consents to the zone).⁴

Integration of other government transportation and housing funding: Current provincial and federal funding commitments for transportation do not allow for funds to be spent on land acquisition. These funding programs do not set out expectations or conditions for integrating affordable rental housing in transit-oriented locations either. Conversely, current provincial and federal affordable housing programs use a point-based system to evaluate projects for funding. Even though proximity to transit is typically one criterion, it is weighted lower relative to other attributes such as affordability, sustainability, and building accessibility.

Federal tax incentives: In the United States, the Low Income Housing Tax Credit, created in 1986, has influenced a large proportion of affordable rental housing. Tax credits are issued to state housing agencies, who then allocate the credits to housing providers in a competitive process. The housing providers then sell the tax credits to investors in return for equity contributions toward eligible housing projects. Private investors who contribute equity to the development of new or rehabilitated affordable rental housing receive a dollar-to-dollar reduction in their federal income taxes. The Canadian federal government is not currently contemplating the development of such a program, but rather is focused on the provision of low-cost financing and grants.

Federal grants to facilitate coordination among local stakeholders: From 2011-2015, the US federal government provided \$250 million in Sustainable Communities Initiative grants to local communities to integrate planning processes around housing, transportation, economic development, and other objectives. These grants were used to develop multi-stakeholder planning processes and research that led to defined plans for the preservation and promotion of affordable housing in transit corridors. One example is the Growing Transit Communities Partnership in the Puget Sound area, which brought together over 100 public, private, and non-profit partners to develop individualized plans for 74 transit stations on three transit corridors. No comparable federal programs exist in Canada.

Land trusts: The Vancouver Community Land Trust Foundation of BC was established in 2015 and has a mission to acquire, create, and preserve affordable housing through a land trust structure. This model could potentially be adapted and scaled up to support affordable rental housing near frequent transit.

Property tax incentives: The Community Charter (Section 226) provides municipalities with the ability to reduce property taxes for certain land uses. A reduced property tax burden can allow rents to be lowered, or more of the rental income can be put towards debt servicing. The drawback is that local governments would have to make up the foregone property tax revenue through other means.

⁴ In 2007, the UBCM convention endorsed a resolution from the City of Burnaby requesting that the provincial government amend Section 903 of the *Local Government Act* to authorize local governments, if they should so choose, to enact land use regulations that would regulate residential rental tenure through zoning and other measures.