

Organizational Framework
and
Sustainable Funding Options
for the
Bowen Island Housing Corporation

Prepared for the

Affordable Housing Working Group
Bowen Island Municipality

by

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Introduction

The Bowen Island Municipality (BIM) is in the process of creating a municipal corporation to facilitate the creation and administration of a full range of affordable housing opportunities for the residents of Bowen Island. The Bowen Island Housing Corporation (BIHC), a wholly-owned subsidiary of BIM, will work with the Planning Department, housing stakeholders and the development community to create these opportunities.

The work of BIHC has actually commenced prior to formal incorporation, building on the foundation of an Affordable Housing Needs Assessment, Affordable Housing Strategy and Housing Affordability Update prepared by Margaret Eberle and funded through the Bowen Community Housing Association. The work is being conducted by the Affordable Housing Working Group (AHWG) with the assistance of two paid consultants, Tim Wake, Affordable Housing Consultant, and Jacqueline Massey, Communications Consultant.

The incorporation of BIHC has been contemplated for some time. It is consistent with the objectives set out in the current Official Community Plan (OCP). Its existence should be incorporated into the OCP update that is currently underway. It is recommended that incorporation of BIHC proceed without delay as the formal process can take considerable time. In the meantime, the work of BIHC can continue with an interim board to ensure that the municipality is ready to act once the incorporation is finalized.

This report looks at the role and mandate of BIHC moving forward and how the corporation might be organized on a flexible platform to match its capacity to the resources available and to the tasks as they emerge. Funding requirements, funding sources and a phased approach to manage expenses are all reviewed.

Mandate of Bowen Island Housing Corporation

The primary mandate for Bowen Island Housing Corporation (BIHC) is to create an inventory of high quality, durable and affordable rental and ownership housing that will suit the diverse and evolving needs of the Bowen Island community.

BIHC will focus on the production of non-market housing for Bowen. The **Affordable Housing Continuum** shown in Table 1 represents the entire spectrum of affordable housing, from fully subsidized (at left) to low end of market housing (at right). The greatest housing need on Bowen, as identified in the *Bowen Island Housing Needs Assessment* (Eberle Planning and Research, 2007) is among low and moderate income households. This need will primarily be met by BIHC focusing on the middle portion of the Continuum and creating Non-Market Housing, consisting of Affordable Rental Housing and Affordable Homeownership as described below.

Table 1
Affordable Housing Continuum

Emergency Shelters	Transitional Housing	Social Housing	Affordable Rental Housing	Affordable Home Ownership	Affordable Rental Housing	Affordable Home Ownership
Government Subsidized Housing			Non-Market Housing		Market Housing	

From *Creating Market and Non-Market Affordable Housing: A Smart Growth Toolkit for BC Municipalities* By Deborah Curran and Tim Wake, March 2008, Table 2. Page 3.

Description of Non-Market Housing

Non-Market Housing is composed of both Affordable Rental Housing and Affordable Home Ownership.

Affordable Rental Housing is housing where the total monthly shelter cost (gross monthly rent including utilities – heat, hydro and hot water – but excluding parking and cable television charges) is at or below one times the average regional rent, by unit type (number of bedrooms), as reported annually by the Canada Mortgage and Housing Corporation.

Affordable Ownership Housing is housing with a purchase price that is affordable to households of low and moderate income, which are households within the lowest 60 per cent of the income distribution for the region, as determined by Statistics Canada. Affordable in this context means monthly housing costs (i.e. mortgage principal and interest payment amortized over 25 years and assuming a 25 per cent down payment, and taxes) do not exceed the average monthly rent for the region, by unit type, as reported annually by the Canada Mortgage and Housing Corporation. Affordable ownership price includes the Goods and Services Tax and any other mandatory costs associated with purchasing the unit.

From *Creating Market and Non-Market Affordable Housing: A Smart Growth Toolkit for BC Municipalities* By Deborah Curran and Tim Wake, March 2008. Page 4.

Roles and Responsibilities of Bowen Island Housing Corporation (BIHC)

BIHC will create an inventory of Non-Market Housing by taking on the Roles and Responsibilities outlined below.

1. Act as a resource to BIM Council and Staff on issues pertaining to the development of an inventory of affordable housing on Bowen Island
2. Secure a sufficient and diverse supply of non-market housing to support a local economy and community on Bowen Island
3. Ensure BIHC financial self-sufficiency
4. Administer covenants and controls over non-market housing to ensure perpetual affordability
5. Research affordable housing occupancy and demand
6. Act as the primary community resource for affordable housing on Bowen Island

Outline of Actions arising out of Roles and Responsibilities

The recommended actions for each of these roles and responsibilities are listed below:

1. Act as a resource to BIM Council and Staff on issues pertaining to the development of an inventory of affordable housing on Bowen Island

- Assist Council and Staff with the application of the BIM Affordable Housing Policy to project proposals and rezoning applications
- Assist Council and Staff in the establishment of policy on alternative housing models, such as co-housing, co-operative housing, community land trusts and flex-housing
- Advise third party developers on the most suitable and beneficial affordable housing components to complement their market development proposal

2. Secure a sufficient and diverse supply of non-market housing to support a local economy and community on Bowen Island

- Facilitate the planning approval of non-market housing projects
- Facilitate the development of a diversity of rental housing units (including BIHC owned rental) for Bowen Island residents and employees
- Prepare a detailed plan outlining opportunities to include various types of affordable housing on each of the community lands sites acquired from the GVRD
- Work with island partners such as Abbeyfield to facilitate the development of non-market seniors housing for Bowen Island residents and retiring employees

- Promote and facilitate infill and mixed-use development, including affordable housing in Snug Cove and adjacent neighbourhoods
- Encourage redevelopment which includes affordable housing, especially within walking distance to Snug Cove

3. Ensure BIHC financial self-sufficiency

- Develop a five year business plan for BIHC identifying revenue sources and projected expenses
- Explore partnerships with other housing organizations in the region and pursue the formation of a multi-jurisdictional housing organization to provide support in areas that are common to jurisdictions across the region
- Develop a phasing plan to match BIHC capacity to the evolving responsibilities and requirements on Bowen Island (i.e. start small and grow as necessary)
- Explore options for a virtual office and contracting work to provide flexibility and keep expenses at a minimum
- Utilize best efforts to secure startup funding through grants, partnerships, subsidies and seed funding opportunities
- Follow best practices to ensure fiscal responsibility and utilize the private sector for the supply of goods and services
- Make recommendations to BIM on innovative approaches to finance BIHC projects such as a dedicated Affordable Housing Fund, developer contributions for affordable housing, and a Community Lands dedication

4. Administer covenants and controls over non-market housing to ensure perpetual affordability

- Maintain standard covenants to be registered on title of any project that will include non-market housing
- Develop a communication plan to help all Bowen residents, and especially those occupying non-market housing, understand the intent of the covenants and the process around applying them
- Manage and update the waitlists and the waitlist process to ensure an equitable and orderly allocation of new affordable housing opportunities to qualified Bowen Island residents
- Conduct information meetings, workshops and open houses to showcase, rent, sell and re-sell non-market housing units through a well established waitlist process
- Obtain annual Occupancy Declarations from all owners of non-market housing

- Pursue any breaches of restrictive covenants and where appropriate, take legal action

5. Research affordable housing occupancy and demand

- Prepare an inventory of potential affordable housing sites on Bowen Island complete with details of size, location, current zoning, ownership, development potential, and proximity to transit and services
- Monitor income trends amongst Bowen Island residents, especially those on the affordable housing waitlists to establish affordability levels for Bowen households
- Establish a means of tracking inflow and outflow of households and individuals to and from Bowen to identify and quantify demographic shifts
- Conduct annual research to monitor changes in housing demand
- Conduct focus group sessions with potential occupants of non-market housing on Bowen Island
- Monitor the occupancy of existing affordable (low end of market) housing on Bowen Island

6. Act as the primary community resource for affordable housing on Bowen Island

- Provide information online and through articles in local media on all non-market housing initiatives, projects, policies, and procedures
- Provide ongoing education to the community and the development community regarding the importance of non-market housing on Bowen Island
- Provide landlords and tenants with basic information on tenancy issues and connect them with the services of the Residential Tenancy Office
- Continue to provide a comprehensive delivery of housing information services through the BIHC website
- Research alternative financing and purchasing options available to BIHC and BIM for non-market housing
- Conduct workshops, forums and design charettes to engage the community in the provision of innovative housing solutions

Organizational Structure

The Bowen Island Housing Corporation will be governed by a Board of Directors that will be selected based on skills and experience in the areas of policy development, community education and engagement, housing development, legal and financial management, land-use planning, project financing and project management. The Affordable Housing Working Group (AHWG) will prepare a call for applications, and a committee of the AHWG will recommend a slate of Directors to BIM Council for approval.

The Board of Directors will make decisions about priorities for the Housing Corporation, how to secure funding for the start up of the organization, which pilot project(s) to pursue, and how quickly to ramp up the capacity of the organization. The Board will need to have some financial expertise to oversee financing of development projects and the prudent management of BIHC funds.

Ultimately, BIHC will oversee covenants on dozens of non-market affordable housing ownership and rental units and perhaps oversee the management of its own rental inventory. This may require one to two full time employees. In the early stages, it will be more practical to contract specific tasks and responsibilities as revenue and funding allow, at the discretion of the Board of Directors.

BIHC still needs to be registered with the Corporate Registry, which will require Ministry of Finance approval. The municipality's lawyers expect completion later this year.

Business Plan and Budget

The principal questions for now are:

- **What funding is required in the next few years to complete the tasks at hand?**
- **Where will this funding come from?**
- **How will we measure progress?**

Funding Level

Over the past three years, the funding requirements for the housing work completed have been approximately \$20,000 per year.

**Table 2
Funding of Housing Work on Bowen Island 2007 – 2009**

2007 Affordable Housing Needs Assessment & Affordable Housing Strategy (BCHA)			
	CMHC	\$7,000	
	BIM		
	Grant-		
	in Aid	\$1,100	
	BI		
	Donor		
	s	\$15,370	\$23,470
2008 Housing Work Phase 1 (AHWG)			
	BIM		\$10,000
2008-2009 Housing Work Phase 2 (AHWG)			
	BIM		\$25,000
Total			\$58,470

The list of tasks for the AHWG Phase 1 and Phase 2 Work Plans is shown in Appendix A. A review of this list indicates that good progress has been made in three years, but, as the list of actions above shows, there is still much to be done. This work cannot, and need not, take place all at once, or in a short time frame. At the same time, there is momentum in what has been accomplished and, if the affordable housing work is to continue moving forward, we must not lose that momentum.

Moving forward, at least \$20,000 per year will be continue to be required on an annual basis. The actual amount will depend on which action areas are chosen. The first task will be to constitute a Board of Directors, and begin assigning priority to the actions. Board members may be able to act as a resource to assist in the delivery of some of the actions, but a paid staff will be required in order to make meaningful progress.

Source of Funding

To a large extent, progress will be contingent on securing funding. This leads to the second question, where the funding will come from. There are very real limits to how much more grant funding will be available from CMHC, the BC Housing Endowment Fund and the Real Estate Foundation of BC. CMHC and BC Housing have indicated that they can only provide seed funding for a physical project, not for the operation of a housing organization. A Letter of Inquiry, the first step in the grant application process, has been submitted to the Real Estate Foundation of BC. The Foundation has indicated there will be less grant funding available this year in light of reduced real estate sales, and a 50% reduction in total funding is anticipated. Thus, we need to look for a made in Bowen solution.

There are three possible sources for this funding:

1. Create a Bowen Island Affordable Housing Fund

This would be a fund created by Council and would require some kind of development surcharge bylaw to generate revenue. The fund would be utilized, at the discretion of Council, towards any process, including BIHC, that would create affordable housing on Bowen.

The details of the development surcharge bylaw would need to be worked out with Planning Staff and Council. The contribution to the fund may be cash-in-lieu of actually creating affordable housing or providing land for affordable housing.

In order to be effective, this approach requires a steady stream of new development on Bowen. Some members of the development community on Bowen have indicated support for this type of approach, but it does require a substantial market component to generate the funds.

2. Create a Land Bank

Land is the component of housing that makes it unaffordable. Land values escalate over time, beyond the rate of inflation, and outpace the increase in the value of any improvements on the land. Contributions to a land bank can come from BIM, from the Province (Crown Land), from a developer as per the Bowen Affordable Housing Policy, or through the dedication of a previously disturbed site.

Donations of land from benefactors, private owners or estates can be issued a tax receipt by BIM for the fair market value of the land.

This land can then be used to develop affordable housing, or it can be sold to generate funds to be utilized in creating affordable housing. In some cases, for example a dedication of Crown Land, there may be restrictions on selling the land for any use other than affordable housing, civic facilities or some other not-for-profit use.

The community lands currently held by Bowen Island Municipality are not restricted in this way, and some proceeds from the sale of a portion of those lands could be utilized to fund affordable housing initiatives, including BIHC.

3. Seed Funding from BIM

The Bowen Island Municipality may identify the creation of affordable housing as a priority and provide seed funding to get BIHC rolling while working on establishing a Housing Fund and a Land Bank and waiting for contributions to build up.

This approach would extend the funding process that has been in place for the housing work done in 2008 and 2009. These funds would be included in the budget for the Planning Department.

Measuring Progress

The third question was about measuring progress. The ultimate measure is units of affordable housing created, or households housed through the efforts of BIHC. This will be a good measure in the long run, but in the near term, results will have to be measured in terms of action steps in process or completed, with a qualitative analysis of the impact of those actions.

Business Plan

A review of the 19 actions set out for Phase 1 and 2 of the AHWG project as shown in Appendix A indicates reasonable progress in two years. The next two years will need to focus on getting funding mechanisms and housing projects going.

2009 - 2011

A business plan for the next two years would consist of some specific top priority actions from the **Actions** section above and an annual budget of \$25,000 - \$30,000. This business plan should be developed by the new Board of Directors with contract assistance as required.

An example of what the list of priority actions might look like for the next two years is shown below:

- Prepare a detailed plan outlining opportunities to include various types of affordable housing on each of the surplus lands sites
- Promote and facilitate infill and mixed-use development, including affordable housing in Snug Cove and adjacent neighbourhoods
- Encourage redevelopment which includes affordable housing, especially within walking distance to Snug Cove
- Explore options for a virtual office and contracting work to provide flexibility and keep expenses at a minimum
- Utilize best efforts to secure startup funding through grants, partnerships, subsidies and seed funding opportunities
- Prepare an inventory of potential affordable housing sites on Bowen Island complete with details of size, location, current zoning, ownership, development potential, and proximity to transit and services
- Provide information online and through articles in local media on all non-market housing initiatives, projects, policies, and procedures

2012 – 2015

A longer term business plan could contemplate some permanent staff positions, perhaps part-time at first, and a physical location on Bowen. Ultimately many of these organizations end up with a small office in one of their own projects to reduce rent and overhead.

The action list for 2012 – 2015 would include all the items from the **Actions** section above that had not been completed. It is difficult to accurately estimate what the annual budget would be for this phase of the corporation, but it could be in the order of \$100,000. It will depend on the success of the funding mechanisms, and the opportunities to facilitate and partner on affordable housing projects. Projects under development may require project management from BIHC, providing additional workload but also additional revenues. This approach has been successful in Whistler and in Banff.

There are at least two possibilities for sustainable funding beyond the Housing Fund and the Land Bank. The first would be to create an inventory of rental housing owned by the corporation and allocate a percentage (say 10%) of the gross rental income towards the operation of BIHC. The second would be to create an endowment fund from the sale of Land Bank assets, invest the endowment, and allocate the interest income to BIHC.

Summary Recommendation

Create the Bowen Island Housing Corporation

The next step in building the capacity for affordable housing on Bowen Island is to establish a housing organization whose primary responsibility will be to create and manage an inventory of affordable housing. The direction to create this organization, the Bowen Island Housing Corporation needs to come from Council.

Appendix *(Appendix E from report to Council 2012 February 27)*

Bowen Island Project Development Pro Formas (AHWG)

Notes to Accompany Three Affordable Housing Pro Formas

These pro formas show three different scenarios for the development of affordable housing on Bowen Island. They are all based on a generic one-acre site that would be rezoned for multi-family housing (apartment, condo or townhome). These pro formas could be enhanced considerably with increased density and a commercial component.

In all three pro formas, the market/non-market mix is shown as a percentage of gross floor area (GFA) and also by unit count. As the affordable units are smaller on average, the percentage of non-market or affordable units is higher by unit count than is shown by area.

All scenarios require a partnership with a local developer. The developer shows a profit on the development, while delivering the non-market units essentially at cost. The market units range in price from \$191,250 to \$467,500. The affordable non-market units range from \$101,250 to \$202,500. For the purposes of this analysis, all units are ownership. It is possible some market units would be rented out, but all the affordable non-market units would be owner-occupied.

1, Mixed Residential on Community Lands

This scenario assumes a modest charge (\$500,000) to the project for the land provided by the municipality. If the land were to be donated to the project, the market/non-market split would go from 12/5 to 9/8 (65%/35% of the GFA).

A project on Community Lands would yield a higher ratio of affordable non-market units because the land component is less expensive. That saving translates into more affordable units.

2. Developer-Owned Site - Mixed Residential Development 17 units/acre

Unfortunately, this scenario demonstrates that a mixed residential project is unlikely to succeed with land purchased at market value even with an upzoning to a density of 17 units per acre. The return on investment to a development partner would not be an adequate incentive.

3. Developer-Owned Site - Mixed Residential Development 25 units/acre

At a density of 25 units per acre, this scenario produces 5 units of affordable non-market homeownership. This represents 16% of the GFA and 20% of the units. It also demonstrates that a higher density is required to make the numbers work when the land is valued at the market price.

Appendix E (cont'd)

1. Mixed Residential Development on Community Lands

Assumptions			
Land Cost	\$500,000		
Site Servicing Cost	\$150,000		
% Affordable	25%		
# of Affordable Units	5		
Vertical Construction Cost psf	\$200		
Market Sales Price psf	\$425		
Affordable Sales Price psf	\$225		
<hr/>			
Unit Type	Unit GFA	Unit Count	GFA
Studio	450	5	2,250
One Bedroom	650	5	3,250
Two Bedroom	900	5	4,500
Three Bedroom	1100	2	2,200
Totals		17	12,200
<hr/>			
Project Costs	Unit Cost	GFA	\$
Land Cost (payable to BIM)			\$500,000
Vertical Construction	\$200	12,200	\$2,440,000
Soft Costs (20% of construction cost)	20%		\$488,000
Site Prep, Site Services, Parking, Roads, Landscaping			\$150,000
Base Project Cost			\$3,578,000
Project Management	3%		\$107,340
Construction Financing	5%		\$178,900
Contingency	8%		\$286,240
Total Development Cost			\$4,150,480
<hr/>			
Sales	Price	Unit Count	Total
Market Studio	\$191,250	3	\$573,750
Market One Bedroom	\$276,250	3	\$828,750
Market Two Bedroom	\$382,500	4	\$1,530,000
Market Three Bedroom	\$467,500	2	\$935,000
Affordable Studio	\$101,250	2	\$202,500
Affordable One Bedroom	\$146,250	2	\$292,500
Affordable Two Bedroom	\$202,500	1	\$202,500
Total Sales Revenue		17	\$4,565,000
<hr/>			
Surplus			\$414,520
% of Total Development Cost			10%

Appendix E (cont'd)

2. Developer-Owned Site - Mixed Residential 17 Units/Acre

Assumptions:			
Land Value Before Rezoning	1,000,000		
Site Servicing Cost	\$150,000		
% Affordable	15%		
# of Affordable Units	3		
Vertical Construction Cost psf	\$200		
Market Sales Price psf	\$425		
Affordable Sales Price psf	\$225		
	Unit Type	Unit GFA	Unit Count
			GFA
	Studio	450	5
	One Bedroom	650	5
	Two Bedroom	900	5
	Three Bedroom	1100	2
	Totals		17
			12,200
	Project Costs	Unit Cost	GFA
			\$
	Land Value Before Rezoning		1,000,000
	Vertical Construction	\$200	12,200
	Soft Costs (20% of construction cost)	20%	\$488,000
	Site Prep, Site Services, Parking, Roads, Landscaping		\$150,000
	Base Project Cost		\$4,078,000
	Project Management	3%	\$122,340
	Construction Financing	5%	\$203,900
	Contingency	8%	\$326,240
	Total Development Cost		\$4,730,480
	Sales	Price	Unit Count
			Total
	Market Studio	\$191,250	4
	Market One Bedroom	\$276,250	3
	Market Two Bedroom	\$382,500	5
	Market Three Bedroom	\$467,500	2
	Affordable Studio	\$101,250	1
	Affordable One Bedroom	\$146,250	2
	Total Sales Revenue		17
			\$4,835,000
	Surplus		\$104,520
	% of Total Development Cost		2%

Appendix E (cont'd)

3. Developer-Owned Site - Mixed Residential 25 Units/Acre

Assumptions:			
Land Value Before Rezoning	1,000,000		
Site Servicing Cost	\$150,000		
% Affordable	16%		
# of Affordable Units	5		
Vertical Construction Cost psf	\$200		
Market Sales Price psf	\$425		
Affordable Sales Price psf	\$225		
Unit Type	Unit GFA	Count	GFA
Studio	450	5	2,250
One Bedroom	650	7	4,550
Two Bedroom	900	8	7,200
Three Bedroom	1100	5	5,500
Totals		25	19,500
Project Costs	Unit Cost	GFA	\$
Land Value Before Rezoning			\$1,000,000
Vertical Construction	\$200	19,500	\$3,900,000
Soft Costs (20% of construction cost)	20%		\$780,000
Site Prep, Site Services, Parking, Roads, Landscaping			\$150,000
Base Project Cost			\$5,830,000
Project Management	3%		\$174,900
Construction Financing	5%		\$291,500
Contingency	8%		\$466,400
Total Development Cost			\$6,762,800
Sales	Price	Count	Total
Market Studio	\$191,250	3	\$573,750
Market One Bedroom	\$276,250	5	\$1,381,250
Market Two Bedroom	\$382,500	7	\$2,677,500
Market Three Bedroom	\$467,500	5	\$2,337,500
Affordable Studio	\$101,250	2	\$202,500
Affordable One Bedroom	\$146,250	2	\$292,500
Affordable Two Bedroom	\$202,500	1	\$202,500
Total Sales Revenue		25	\$7,667,500
Surplus			\$904,700
% of Total Development Cost			13%

