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ADMINISTRATIVE REPORT

Report Date: July 3, 2014
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TO: Vancouver City Council
FROM: Chief Housing Officer
SUBJECT: Creation of Housing Authority

RECOMMENDATION

THAT Council receive this report for information.

REPORT SUMMARY

This report provides Council with an overview of the mandate of the Vancouver Affordable Housing Agency and details of the governance, housing targets, operating model and funding requirements to deliver 2500 affordable housing units on City and partner land by 2021, commencing with an initial program of 500 affordable housing units subject to interim review.

In terms of affordability, the housing units will target households with incomes ranging from social assistance (where the Shelter Allowance is currently \$375 per month for a single person) to households with a maximum income of \$86,500 which is the top of the range of household income identified through the Mayor's Task Force on Housing Affordability. The principle of affordability will be based on a maximum allocation to housing cost of 30 per cent of household income.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Council approved Vancouver's Housing and Homelessness Strategy 2012-2021 in 2011 with its key goal of increasing the supply of affordable housing. In 2011, Council also approved a 3 Year Action Plan 2012-2014, which included a Priority Action to pursue a new business model to improve affordable housing delivery.

Council received the final report from the Mayor's Task Force on Housing Affordability, "*Bold Ideas Towards an Affordable City*," in 2012. Recommendation 2 was to enhance the City's and the community's capacity to deliver affordable rental housing and social housing.

Council approved a City of Vancouver Action Plan to implement the recommendations from the Task Force final report in 2012. Specifically, Action 3, to develop an operational and organizational model for a City controlled Housing Authority was passed with a completion date of Q3 2013.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager approves the report and the creation of a new City controlled housing authority, **Vancouver Affordable Housing Agency**, which will deliver more affordable housing options within the City. The City has many tools to create affordable housing and this is a new addition to further meet the needs of Vancouverites facing affordable housing challenges.

The Agency will:

- Have a clear Council approved mandate and governance structure to ensure accountability, value for money and alignment with Council's housing policy.
- Become a centre of expertise with dedicated resources to expedite housing delivery through innovative approaches and partnerships.
- Be set up on a phased approach starting with 500 units followed by an interim evaluation before proceeding onto the next phase to deliver a further 2000 affordable housing units by 2021.
- Facilitate the redevelopment of selected City sites and partner land to reach the housing targets above.

REPORT

Background/Context

Through its Housing and Homelessness Strategy 2012-2021, the City of Vancouver has a target to commit 5,000 units of social housing and 5,000 units of secured market rental housing by 2021. The City has a number of tools to deliver these units:

- Inclusionary zoning policies, often embedded in Community Plans;
- Density bonusing;
- Community Amenity Contributions;
- Partnerships with other orders of government, non-profits, philanthropists and the private sector;
- Provision of City land at nominal/below-market rate;
- DCL waivers; parking relaxations;
- Property tax waivers;
- Capital grants or other forms of City equity.

Strategic Analysis

Vancouver is an attractive global city and is consistently named as one of the top five worldwide cities for livability and quality of life. This attracts many people and brings many benefits to Vancouverites in terms of the economy and vibrancy.

With its constrained borders and restricted land supply, housing affordability has been an issue for Vancouver for many years. City Council recognised the need to increase affordable housing supply to meet the growth of the city, enable economic growth and to maintain the diverse and vibrant communities which make up our city.

Increased demand for affordable housing is not unique to Vancouver, with property prices rising rapidly in major cities across the world, residents on moderate incomes as well as those who are very low income are being priced out of local markets. Governments at all levels recognise the need to provide affordable homes for a broader range of constituents and there is more focus on providing mid-market housing as well as housing those without any shelter.

The community planning process engages with local residents to identify ways in which growth could be accommodated in a sustainable way. Housing affordability has been a key concern expressed by Vancouverites. Each of the approved Community Plans in 2013/14 have clear targets to increase housing supply, and achieving affordable housing. The Agency will be an additional platform to enable the City to achieve both the housing targets identified in the Housing and Homelessness Strategy to 2021 as well as the targets expressed in the community plans.

City Council has approved a number of initiatives that have helped increase supply of market rental housing. The development of the affordable market rental stock has also been a major achievement in the absence of senior government incentives. This rental stock ranges from secondary suites and lock off suites to laneway housing and purpose built secured affordable market rental housing under the Rental 100 Program.

The market is key to increasing supply of housing and the City will continue to find ways in which it can incent the market to deliver a higher level of affordability as well as incremental units. With the volume of new supply not yet meeting housing need, particularly affordability, the creation of the Agency will allow an unprecedented focus of appropriately skilled staffing resources, Board expertise, and delegated authority from Council to expedite and leverage partners and opportunities for affordable housing.

Under the direction of the Chief Housing Officer, a detailed analysis was undertaken of the options for moving forward with setting up the Agency. This involved a review of the experience of a number of cities and municipalities within Canada and internationally which have set up similar entities. **See Appendix A.**

Within the Canadian context, senior government funding has become restricted over time. Whilst there are still housing programs, these have been limited and targeted more recently to those in greatest need. This has meant that municipalities who are trying to address this issue of creating mixed affordable housing supply have sought creative solutions to expand the provision of affordable housing to those on low to moderate incomes by using regulatory tools as well as offering land at subsidised levels.

On a wider global scale, there is varying senior government support for facilitating the delivery of affordable housing from capital funding through interest free bonds or grants to tax incentives to encourage the private sector to build new affordable housing as well as revenue support models. In addition, municipalities, a strong non-profit sector and the private sector, with either support from senior government or creative approaches to cross-subsidise utilising surpluses from market activity, have been able to increase affordable housing provision.

The construct of the new Housing Agency has taken into account experiences from other jurisdictions and the benefits are outlined below.

Benefits of a new Housing Agency

The creation of an entity separate from but accountable to the City of Vancouver will have numerous benefits. The main benefits resulting from the creation of Vancouver Affordable Housing Agency will include:

- Central point of contact at the City for new affordable housing projects on City and partner owned sites;
- Ability to focus on gaps in the housing market where need is not currently being met;
- Expedited and streamlined processes to enable leverage of City land and other assets for new affordable housing aligned with Council's housing targets;
- Standardization of tools and policies;
- Industry, market knowledge through members of the Board of Directors.

Below is the **scope** of in the housing continuum that the Agency will undertake:



In terms of **affordability**, the work of the Agency will focus on housing units targeted at households with incomes ranging from social assistance (where the Shelter Allowance is currently \$375 per month for a single person) to households with a maximum income of \$86,500 which is the top of the range of household income identified through the Mayor's Task Force on Housing Affordability. The principle of affordability will be based on a maximum allocation to housing cost of 30% of household income.

Strategic Framework for Housing Authority

Below are the key elements of the strategic framework for the Agency:

Vision

Vancouver Affordable Housing Agency's vision is to expand the supply of new affordable homes in Vancouver and meet the City's housing targets.

Mission

The Agency will act as a catalyst for new affordable housing across the housing continuum. City and partner land, assets and resources, will be leveraged using innovative partnerships to build more affordable housing units and renew existing affordable rental units.

Mandate

Vancouver Affordable Housing Agency will be a City-controlled, but separate legal entity. The Agency will lead to the City expanding its platforms to create affordable housing and will also foster and encourage innovation from the private and non-profit sectors, leveraging capital investment into the creation of new homes. Through economies of scale, the Agency will ensure effective procurement and development processes, with a goal of improved affordability.

The Agency's key targets will include the creation of 2500 affordable housing in the areas of non-market rental (social housing including supportive housing if partners are available to deliver support services), innovative renewal and replacement programs for SRO's and the existing affordable rental stock in the city as well as piloting strategies for affordable home ownership. A mix of housing will be built with a focus on building more family units with an emphasis on 3 bedroom units given the shortage of affordable 3 bedroom units available for families. These units will be targeted for individuals and families of low to moderate income, living and working in Vancouver.

Guiding Principles

The following principles will guide Vancouver Affordable Housing Agency in achieving its mission, vision and mandate:

- 1) Ensure resources and projects align with Council goals and objectives;
- 2) Use standardization of processes, economies of scale and clarity of decision making to expedite processes, maximize affordability and drive efficiency of delivery of all housing;
- 3) Identify where the greatest impact can be made and act as a catalyst for innovative housing ideas and models;
- 4) Evaluate outcomes and share learnings with the City and senior levels of government driving standardization & streamlining of processes across multiple delivery platforms.

Corporate Structure

Staff have completed their analysis of the optimal legal form and structure with the assistance of professional third party advisors and it is proposed that the Housing Agency will be a separate corporate entity and act as an “Agent” for the City with clear delegated authorities as set out in Appendix B. The role of Agent is a clear legal concept with significant advantages over creating a separate corporation or a non-profit to undertake this role.

The Agency will be a separate legal entity, with the City as the sole shareholder and a Board which combines City oversight with independent directors who bring key skills to the Agency.

The benefits of setting up the Housing Agency’s legal structure and operating model on the basis of an *agency model* are:

- City retains ownership of its assets which can be designated to the Agency to achieve the agreed objectives;
- Consists of a simplified and focused structure to minimize transaction costs;
- ability to access third-party funding, e.g., senior government grants, community foundations, private foundations and other private donations.

Roles and Responsibilities

Many of the historic models worldwide have the housing authority developing and then operating affordable housing which has meant that additional resources and capacity are built up over time to support the role of housing operator and property manager. Senior staff recommendation is that the Agency will not manage or operate the affordable housing units that are built but will focus solely on ensuring new supply is brought forward. The City will continue to leverage non-profit operators in the role of housing operator and property manager.

The relationship, roles and responsibilities between Vancouver Affordable Housing Agency and the City of Vancouver will be as follows:

		Vancouver Affordable Housing Agency	City of Vancouver
GOVERNANCE	Board of Directors	<ul style="list-style-type: none"> Board of Directors with specific skill sets Will include three senior members of City staff External Chair 	<ul style="list-style-type: none"> Appointed by Council.
	Business and Strategic Plan (3-5 years)	<ul style="list-style-type: none"> Created by VAHA 	<ul style="list-style-type: none"> Approved by Council
	Annual Report	<ul style="list-style-type: none"> Prepared by VAHA and presented to Council 	<ul style="list-style-type: none"> Accepted by Council
FINANCE	Capital and Operating Budgets	<ul style="list-style-type: none"> Created annually by VAHA 	<ul style="list-style-type: none"> Approved annually by Council
	Other Funding	<ul style="list-style-type: none"> Construction and third party funding to be leveraged by VAHA 	
	Financial Statements	<ul style="list-style-type: none"> Created by VAHA Audited annually by City auditor 	<ul style="list-style-type: none"> Consolidated with COV financial statements
LAND	Ownership and improvement	<ul style="list-style-type: none"> VAHA to act as an Agent of the City and will not own the land or improvements 	<ul style="list-style-type: none"> Ownership of land and improvements retained by COV Assets available to Agency designated annually by Council.
ADMINISTRATION	Shared Services (legal, IT, HR, facilities, finance)	<ul style="list-style-type: none"> Agreement with COV for the provision of COV shared services 	Shared service platform available at cost recovery to VAHA.
	Procurement, Contracting, Partner and consultant Selection, Leases	<ul style="list-style-type: none"> Negotiate and manage processes and has the authority to appoint and execute contracts/leases. 	<p>Delegated authority to VAHA to appoint and execute contracts/leases</p> <p>Oversight by senior managers on Board and City Solicitor</p>
	Staffing	<ul style="list-style-type: none"> Staff allocated from COV and consultants utilised as necessary 	<ul style="list-style-type: none"> Allocation of staff to VAHA

Governance

The City of Vancouver Council will appoint the Board of the Vancouver Affordable Housing Agency. The City Manager (CM) and Chief Housing Officer (CHO) will bring forward to Council a panel of suggested external Board members for consideration and for appointment of the Chair who will be external. The Agency's Board of Directors will be operationally independent of City Council but clearly aligned with Council priorities. They will be made up of a minimum of seven voting Directors and the Chief Executive Officer who will sit as a non-voting member ("ex-officio"). The Board will include three senior members of City of Vancouver staff and four external Directors.

The four external Directors will have knowledge, skills and experience in the following areas:

- Real estate and development;
- Finance;
- Legal;
- Design and Planning;
- Rental Property Management;
- Affordable Housing.

Staffing and HR Implications

The City's Chief Housing Officer (CHO) will be the Chief Executive Officer of the Agency. The Chief Housing Officer will remain a part of the City's senior executive team and continue to report to the City Manager. In the concurrent role as CEO of VAHA, the CEO will also report to the Agency Board of Directors.

VAHA will be staffed by a number of existing City of Vancouver employees assigned by their respective departments to support the Housing Agency in the fulfillment of its mandate and will have a reporting responsibility to the CEO of the Agency. In the first 18 months, this will be a small staff of up to 5 people with knowledge in the following areas; Planning, Finance, Housing, Real Estate Services and Legal. As the program increases, additional staffing resources have been factored into the operating budget which will be utilized as appropriate. Consultants will be used where it is more efficient to secure expertise in specialized areas to support the team.

General legal, facilities management, IT, HR and finance roles will be delivered through shared services with the City of Vancouver. Additional staff may be hired during the first phase of operation as required. Contracted external services will be engaged as required.

Implications/Related Issues/Risk (if applicable)

Assets and Financing

The City will retain the land assets and the Agency will act as an agent for the City to enter into contracts to develop the projects. Any new improvements will be retained by the City. Financing will be provided by the City as and when required otherwise the Housing Agency will work with partners to enable new projects to be developed

utilising partner funding. Partner funding will be key to enhancing and sustaining affordability. The City will identify any city owned sites which will be appropriate to designate for the Agency to achieve its goals.

The Housing Agency will have a separate annual operating and capital budget, both of which will be established as part of the City's annual budget process. The Housing Agency's financial statements will be consolidated with City of Vancouver financial statements annually.

Capital Funding

The Housing Agency's Business Plan contemplates delivery of 2500 affordable housing units on City and partner land by 2021 with 500 units to be delivered in Phase I and, subject to an interim performance review, the remaining 2000 units to be delivered in Phase II. The gross capital budget will be funded from City capital funding, partner contributions and prepaid leases financed through rental revenues where appropriate. Capital funding will be included as part of the Housing Capital Program in the 2015-2018 Capital Plan and subsequent plans. Annual allocation will be part of the annual capital budget.

The Housing Agency may enter into partnership arrangements with private developers, charitable or non-profit organizations, and/or senior levels of government on behalf of the City.

In partnership models under consideration, the City may or may not own land and or units and in cases where the City owns land or units it will engage partners such as non-profit operators to operate and maintain the project over a specified term. The Agency will track leverage against affordability in its annual report.

Operating Funding

The annual operating budget for the Housing Agency, covering staffing, consultancy and Board expenses, (staff suggests that the Board receive \$200 per diem for attending each Board meeting, this will not apply to any City staff on the Board) is estimated at \$750,000 in 2015, the first full year of operation with an increase to \$1.1 million in Year 2017 as appropriate, and stabilizes thereafter. For 2014, the partial year prorated operating budget is approximately \$312,500 which will be funded from the 2014 Operating Budget.

	Start Up			
	(6 months)	Year 1	Year 2	Year 3
Staffing Expense	\$200,000	\$525,000	\$725,000	\$875,000
Consulting Expenses	\$100,000	\$200,000	\$200,000	\$200,000
Board Related Expenses and General Expenses	\$12,500	\$25,000	\$25,000	\$25,000
Total Operating Costs	\$312,000	\$750,000	\$950,000	\$1,100,000
Existing Staff Funding	\$200,000	\$400,000	\$400,000	\$400,000
Net Incremental Funding required	\$112,000	\$350,000	\$550,000	\$700,000

CONCLUSION

The establishment of the Vancouver Affordable Housing Agency is a key step in the work to meet the targets contained within the Vancouver Housing and Homelessness Strategy 2012-2021. Its creation will enhance the City's ability to expedite the delivery of a larger number of more affordable housing options for a target range of residents who are currently struggling to find affordable housing options. The Agency is a new vehicle designed to leverage partner innovation, equity and financing toward meeting these goals.

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Comparative Analysis - Case Studies

In determining the most appropriate corporate structure for Vancouver Affordable Housing Agency, numerous other Municipal and housing authorities were studied, both domestic and international. A summary of the research findings is presented below:

	Ownership	Source of Support to Create Affordability	Target Affordability (spectrum)
Whistler Housing Authority	Municipality	Municipality provided start-up funds to purchase initial land. Bonus Density / Rental income	Affordable rental and home ownership units for residents of Whistler who are employees in the resort.
UBC Properties Trust	University	University land provided to Trust by way of long term lease. Profits from market sale and rental income used to support affordability.	Market rental and ownership. More affordable rental and home ownership for faculty and staff
SFU Community Trust	University	University land provided to the Trust by way of long term lease. Profits from market sale and rental income used to support affordability.	Market rental and ownership. One project developed incorporating more affordable rental and home ownership for faculty/staff
Surrey Development Corp	Municipality	Land transferred from municipality in exchange for preferred shares. Profits from market sale used to drive affordability.	Market commercial, industrial & residential
Toronto Community Housing Corp	Municipality	Land and improvements transferred to City from Province. Rental income, profit from redevelopment of existing estates, market sale and equity from affordable homeownership used to create affordability.	Historically, units subsidized/affordable rental. New development projects include market rent and market ownership as well as affordable rental and ownership.
US Housing Authorities - Seattle / San Francisco / Boston / New York		Senior government funding / interest free government bonds/ rental income / tax incentives / bonus density / regeneration / affordable homeownership / taxes / public sector land all generate affordability capacity	Range of housing from shelters to affordable homeownership targeted at citizens with up to 165% of area median incomes
UK Housing - Municipalities and Housing Associations		Senior Government funding / rental income / affordable homeownership / cross subsidy from market sale / public sector land	Rents ranging from 50%-80% of market rent. Range of housing being provided from shelters to market sale.

These organisations vary in terms of governance, funding ability and autonomy from the municipality.

APPENDIX B

Approvals and Delegated Authorities

	Council	Housing Authority
Approving and Removing Directors	X	
Approving annual borrowing limits and financing Mechanisms	X	
Approving strategic and business plan	X	
Approving annual operating and capital budget	X	
Development of strategic and business plan		X
Producing operating and capital budget		X
Procurement of partners / consultants / developers / contractors		X
Approving proposed acquisitions or dispositions of assets or contractual obligations as referenced by business plan and budget		X
Working with partners to appraise, plan, design and develop new affordable housing		X