IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city; (i) the receipt of advice that is subject to solicitor-client privilege, including communications necessary for that purpose; (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

RECOMMENDATION

A. THAT Council authorise the creation of a separate housing authority, Vancouver Affordable Housing Agency (“the Agency”), with the primary mandate of creating new affordable housing in Vancouver across the housing continuum through innovative partnerships with private developers, charitable and/or non-profit organizations, and senior levels of government.

B. THAT Council approve the Agency’s mandate consisting of a target delivery of 2500 affordable housing units on City and/or partner land over the next seven years, with 500 affordable housing units to be delivered in Phase I and, subject to an interim review, the rest of the units to be delivered in Phase II.
C. THAT Council approve the operating model and associated funding requirements as outlined in this report:

   o Annual operating budget covering staffing, consultancy and Board expenses is estimated at $750,000 in 2015, increases to $1.1 million in Year 2017 and stabilizes thereafter. The 2014 prorated operating budget is approximately $312,500, which will be funded from the reallocation of resources in the 2014 Operating Budget. Incremental operating funding for 2015 and beyond will be considered as part of the City's annual budget process.

   o Gross capital funding required to deliver 2500 affordable housing units through innovative partnerships will be included as part of the Housing Capital Program in the 4 year Capital Plans and the annual capital budget process.

D. THAT, provided such terms are consistent with the intent of the Agency as set out in this Report, Council delegate the authority to set the detailed terms of the constitution and by-laws of the Agency and to make application to register same under the applicable incorporation statute(s) and to sign and file all necessary resolutions, certificates and other documentation to the Director of Legal Services, in consultation with the City Manager.

REPORT SUMMARY

The purpose of this Report is to seek Council authorization for the following:

i) creation of a housing authority, Vancouver Affordable Housing Agency, with the primary mandate of creating new affordable housing across the housing continuum through innovative partnerships with private developers, charitable and/or non-profit organizations, philanthropists and senior levels of government; and

ii) the mandate, targets, operating model and funding requirements to deliver 2500 affordable housing units on City and partner land by 2021 with an initial program of 500 affordable housing units subject to interim review.

A Board of Directors will govern the Housing Agency with operational decision-making authority. The Board will be constituted with both senior city staff and external appointees. The Board will be appointed by, and be accountable to Vancouver City Council. The Chief Executive of the Housing Agency will be Vancouver’s Chief Housing Officer.

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,” on 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 & 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; and
- 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 and the importance of maintaining diverse and vibrant communities.

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 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 secured affordable market rental housing.

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 more affordable housing. 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:

**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 and 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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Vancouver Affordable Housing Agency</th>
<th>City of Vancouver</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GOVERNANCE</strong></td>
<td>Board of Directors • Board of Directors with specific skill sets • Will include three senior members of City staff • External Chair</td>
<td>• Appointed by Council.</td>
</tr>
<tr>
<td></td>
<td>Business and Strategic Plan (3-5 years) • Created by VAHA</td>
<td>• Approved by Council</td>
</tr>
<tr>
<td></td>
<td>Annual Report • Prepared by VAHA and presented to Council</td>
<td>• Accepted by Council</td>
</tr>
<tr>
<td><strong>FINANCE</strong></td>
<td>Capital and Operating Budgets • Created annually by VAHA</td>
<td>• Approved annually by Council</td>
</tr>
<tr>
<td></td>
<td>Other Funding • Construction and third party funding to be leveraged by VAHA</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Financial Statements • Created by VAHA • Audited annually by City auditor</td>
<td>• Consolidated with COV financial statements</td>
</tr>
<tr>
<td><strong>LAND</strong></td>
<td>Ownership and improvement • VAHA to act as an Agent of the City and will not own the land or improvements</td>
<td>• Ownership of land and improvements retained by COV • Assets available to Agency designated annually by Council</td>
</tr>
<tr>
<td><strong>ADMINISTRATION</strong></td>
<td>Shared Services (legal, IT, HR, facilities, finance) • Agreement with COV for the provision of COV shared services</td>
<td>Shared service platform available at cost recovery to VAHA.</td>
</tr>
<tr>
<td></td>
<td>Procurement, Contracting, Partner and consultant Selection, Leases • Negotiate and manage processes and has the authority to appoint and execute contracts/leases.</td>
<td>Delegated authority to VAHA to appoint and execute contracts/leases • Oversight by senior managers on Board and City Solicitor</td>
</tr>
<tr>
<td></td>
<td>Staffing • Staff allocated from COV and consultants utilised as necessary</td>
<td>• Allocation of staff to VAHA</td>
</tr>
</tbody>
</table>
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 staffs 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 COV. 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.

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.
**CONCLUSION**

The Chief Housing Officer seeks Council authorization to set up a new City controlled entity - Vancouver Affordable Housing Agency. Its creation will enhance the City’s ability to deliver more affordable housing options, creating a new vehicle to leverage partner innovation, equity and financing.

* * * * *
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:

<table>
<thead>
<tr>
<th>Ownership Source of Support to Create Affordability</th>
<th>Target Affordability (spectrum)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Whistler Housing Authority</strong></td>
<td>Municipality provided start-up funds to purchase initial land. Bonus Density / Rental income</td>
</tr>
<tr>
<td><strong>UBC Properties Trust</strong></td>
<td>University land provided to Trust by way of long term lease. Profits from market sale and rental income used to support affordability.</td>
</tr>
<tr>
<td><strong>SFU Community Trust</strong></td>
<td>University land provided to the Trust by way of long term lease. Profits from market sale and rental income used to support affordability.</td>
</tr>
<tr>
<td><strong>Surrey Development Corp</strong></td>
<td>Land transferred from municipality in exchange for preferred shares. Profits from market sale used to drive affordability.</td>
</tr>
<tr>
<td><strong>Toronto Community Housing Corp</strong></td>
<td>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.</td>
</tr>
<tr>
<td><strong>US Housing Authorities - Seattle / San Francisco / Boston / New York</strong></td>
<td>Senior government funding / interest free government bonds / rental income / tax incentives / bonus density / regeneration / affordable homeownership / taxes / public sector land all generate affordability capacity</td>
</tr>
<tr>
<td><strong>UK Housing - Municipalities and Housing Associations</strong></td>
<td>Senior Government funding / rental income / affordable homeownership / cross subsidy from market sale / public sector land</td>
</tr>
</tbody>
</table>

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

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