

# REPORT

## Prince Rupert Affordable Housing

### Practices and Policy Options



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# 1.0 Introduction

Housing is one of our most basic needs. Without secure housing we are more likely to experience high stress levels, poor health, and increased developmental risks among children. Although providing housing is not the direct responsibility of local governments, municipalities are taking action to do what they can to encourage affordable and social housing. Prince Rupert, like many communities in BC, is facing challenges related to housing. There have been several public engagement sessions, Council discussions, and a recent housing survey to shed light on the causes of the problems and potential solutions.

## 1.1 Purpose of the Report

This report is intended to support the conversations about housing that are already occurring in the community by outlining the key housing issues in Prince Rupert, providing an overview of legislation related to affordable housing, and highlighting tools municipalities can use to expand affordable housing in the community. There are also several recommendations that will help focus conversations around how Prince Rupert can prioritize actions and next steps.

## 1.2 Prince Rupert Context

Prince Rupert is a moderate size community with approximately 13,000 residents located on the North Coast of British Columbia. The city's economy is based on the transportation sector, with a deep water port that is strategically positioned to serve Asian markets. Energy is a new and emerging economic driver in Prince Rupert and several large export facilities for shipping and liquefying natural gas are currently being examined in the area. Tourism is also an important contributor to Prince Rupert's economy, with its scenic settings, pristine environment and strategic transportation connections. Prince Rupert is a key destination for activities such as sport fishing, boating, sailing, canoeing, kayaking and hiking.

Although the economy is fairly diversified, Prince Rupert has a fluctuating population. While the community has declined from historic population levels, Prince Rupert is poised to see several major economic development projects that will result in both short term and long term population growth, particularly if new developments in the energy and transportation sector are realized.

### *1.2.1 CHALLENGES WITH HOUSING*

#### **High Rental Rates**

A recent review of current rental rates corroborates what citizens have indicated at several public meetings on housing in Prince Rupert: rental rates are extremely high. A search conducted on July 31<sup>st</sup>, 2015 showed that there are very few rental units available for under \$1000. The average rental rate was \$1400 per month for an apartment or condo. For houses, the average price was \$1700 per month. These high rental rates offer little opportunity for low-income tenants to find a suitable place to live. Many of the units currently for rent are furnished and clearly geared towards out of town workers.

### **Demand for Social Housing Exceeding Supply**

One of the primary issue regarding housing in Prince Rupert is a lack of non-market social housing. In a recent inventory of social housing, it was identified that there was a total of 392 units available in the city, with 65 vacancies. However, the waitlist for independent affordable housing or supportive social housing is currently 277, leaving 212 applicants (many of whom are families) without prospects for social housing in the short term.

### **Transient Work Force**

As mentioned earlier, Prince Rupert has a soaring transient workforce that is generating a “shadow population.” A recent housing survey measuring the shadow population (defined in this case as someone working more than 30 days in the City but whose usual residence is elsewhere) found 509 people in this situation. A large shadow population can drive up rental rates and lower vacancy levels, thus squeezing access to the rental pool by long term residents.

### **Limited Capacity**

The City of Prince Rupert has a small but dedicated staff. This means that affordable housing projects that require intensive administration or oversight by the City may not be feasible or realistic for the City of Prince Rupert.

### **Condition of Rental Units**

Of the survey, participants who indicated that they were looking to move in the near future (within a year) 12% stated unsafe conditions of the units as the primary reason. There were 13% of participants who indicated that they couldn't afford rent increases. The high demand reduces incentive for land lords to maintain their units in good condition.

### **Development Constraints**

Prince Rupert also faces some significant development constraints in terms of steep slopes, geotechnical constraints, soil and drainage challenges, and winter sun exposure issues. However, the City has identified three areas that may be able to accommodate future residential development: Infill Development Areas, Perimeter Development Areas and Greenfield Development Areas. These new development areas could potentially accommodate a significant increase in population.

## 2.0 Legislative Tools in BC

Municipalities are empowered to take action on affordable housing through two primary pieces of legislation: the Local Government Act and the Community Charter. While these laws both come into play when considering affordable housing, the majority of the tools that are practiced in BC, and elsewhere, are derived from Part 26 of the Local Government Act. This part of the Act deals with planning and land use management. There are also other statutes that provide power to municipalities to regulate affordable housing issues that will be outlined in this section.

### 2.1 Overview of Part 26 of the Local Government Act

Part 26 of the Local Government Act covers the creation of Official Community Plans (OCPs) and Zoning Bylaws along with other planning and land use management topics. This part of the Act enables municipalities to undertake activities to encourage the development of affordable housing. Table 1 below outlines the sections of the Local Government Act that are pertinent to the affordable housing practices discussed in Section 3 of this report.

**Table 1. Part 26 Affordable Housing Sections**

Section of the Act	How it Enables Affordable Housing
s. 877 Official Community Plan required content	Specifies that local governments must include policies “with respect to affordable housing, rental housing and special needs housing.”
s. 903 Zoning Bylaw	Allows local governments to establish zones and uses for those zones, which could include affordable housing requirements.
s. 904 Zoning for amenities and affordable housing	Enables municipalities to allow developers a higher density in exchange for affordable housing units or “provision of amenities” such as cash or land that can be used for affordable housing. This is known as density bonusing.
s. 905 Housing agreements for affordable and special needs housing	Enables a local government to enter into an agreement with the owner of a house or housing units such that they are rented out or sold at a “price restricted rate” to provide affordable housing.
s. 905.1 Phased development agreements	Allows local governments to enter into agreements that allow developers to be approved for multiple phases in exchange for the provision of affordable housing units or “amenities.”
s. 906 off-street parking and loading space requirements	Allows a local government to make different parking provisions for different “classes or uses” which could include reducing requirements for affordable housing units.
Division 9- Permits and Fees	Allows local governments to collect fees for Official Community Plan amendments, Zoning Bylaw amendments and Subdivision and Development Applications. It allows subdivision application fees to vary with the type of parcels involved, which could include affordable housing.

Each of these sections contain legislation which provides municipalities with tools to negotiate with developers to secure affordable housing.

## 2.2 Other Legislation

Additional Parts of the Local Government Act (other than Part 26), as well as other provincial legislation, also contain important provisions that allow municipalities to pursue affordable housing. These include:

- Local Government Act (s. 176 Corporate Powers): enables local governments to enter into agreements with an organization to provide services, enforcement or manage property. These agreements are often related to the provision of affordable housing.
- Land Title Act (s. 219 Covenants): allows enduring regulations to be placed on a property title. Section 219 comments allow local governments to place price restrictions on housing units to increase affordability.
- Community Charter (Division 3 Taxation): allows for different tax rates for different property classes. The minimum tax that must be paid is \$1/year, which provides municipalities with the flexibility to reduce property taxes on specific projects in exchange for affordable housing.
- BC Building Code 1998 (s. 9.36 Secondary Suites): allows for the legalization of secondary suites and outlines the base requirements from a health and safety perspective.

The tools used to encourage affordable housing outlined in the following section demonstrate how existing legislation is put into practice by municipalities across the Province.

## 3.0 Affordable Housing Practices

This section provides the jurisdictional information, and description of the affordable housing tools that are most aligned with Prince Rupert's size, context, and goals. Many of the tools are interrelated or enabled through the same legislation but interpreted a different way. The development of a formal Housing Strategy would allow the City of Prince Rupert to identify affordable housing goals, assess the feasibility of each tool, and identify which tools would create the highest impact. Section 3.0 provides an overview of the various methods municipalities can use to encourage affordable housing in their community.

### 3.1 Inclusionary Zoning Action: Housing Strategy (LGA Section 903)

*Description:* Inclusionary zoning is a tool that requires an applicant to make a contribution towards affordable housing as part of a rezoning application. Inclusionary zoning is often set out as an OCP policy for rezoning rather than a specific zone regulation. A local government can specify a percentage of the developed units to be affordable or developers can provide cash, or land, in lieu of affordable housing units.

*Jurisdiction:* Local government Act s. 903 Zoning Bylaw

*Example:* Resort Municipality of Ucluelet, BC struggling to meet the demand for employee housing that experiences an influx of tourists and workers in the summer, Ucluelet uses inclusionary zoning to encourage affordable housing and housing for workers. The Ucluelet OCP requires that 15%-20% of units in new developments requiring a multi-family rezoning be affordable housing. As a result of this policy, Ucluelet has been able to secure 253 affordable housing units associated with new development projects.

### 3.2 Housing Fund (LGA Section 904)

*Description:* A local government can start a housing fund to support affordable housing initiatives when a developer wishes to contribute cash instead of affordable housing units in an inclusionary zoning or density bonusing situation. Money is set aside in a separate fund and used for grants to non-profit, affordable/social housing providers. The fund can also be topped up with property taxes or other revenue sources. Typically, local governments request applications from non-profits housing organizations and a local housing committee oversees the allocation of grants.

*Jurisdiction:* Local Government Act s. 904 Zoning for Amenities and Affordable Housing

*Example:* City of North Vancouver, BC. Searching for an administratively simple option, the City of North Vancouver established a housing fund that is used for various grants and funding programs tailored to non-profit organizations. The reserve fund was initiated in 1988 and in addition to contributions from developers, the fund has received assistance from provincial grant programs, fees associated with the legalization of illegal units and from other City resources as deemed appropriate. Since the fund began, five housing developments have received grants from the fund. This has resulted in 154 additional units that provide supportive, below-market or affordable housing, without the City having to contribute major administration time to the project details.

### 3.3 Land Banking (LGA Section 904)

*Description:* Land Banking occurs when a municipality obtains land for the purpose of affordable housing either from a developer who provides land in lieu of affordable housing units or through the direct purchase or acquisition of a parcel of land. The municipal-owned land can then be leased or sold to a developer or non-profit organization below market value for the construction of affordable housing units or price restricted housing.

*Jurisdiction:* Local Government Act s. 904 Zoning for Amenities and Affordable Housing

*Example:* City of Dawson Creek, BC. The City's OCP and Affordable Housing Strategy set out policies to support the development of affordable housing units. Shortly after the Strategy was adopted, the Dawson Creek Native Housing Society was given municipally approved land by a private donor. The City of Dawson Creek was able to donate an adjacent piece of municipally owned land, thereby increasing the number of affordable housing units that could be built. Each parcel of donated land was valued at approximately \$130,000, therefore making the project financially feasible for the Dawson Creek Native Housing Society.

### 3.4 Resale Price Restrictions (LTA Section 219)

*Description:* Resale price restrictions are created to reduce the price of houses for buyers. They are sold below market value and a covenant is placed on title that requires the home to be resold at a specified percentage less than the appraised market value of the home. A developer could be incentivized to build price restricted housing as part of a new development if there was a land donation, grant, or an agreement related to permitting a large development area (also known as Phase Development Agreements, or Comprehensive Development Agreements). Phase Development Agreements are permitted in the Local Government Act (s. 905.1), whereby a multi-phase development can be pre-approved and certainty can be given that the development will be permitted in the future (regardless of Council or staff turnover), in exchange for affordable housing or price restricted housing.

*Jurisdiction:* Land Title Act s. 219 Covenants and Local Government Act s. 905.1 Phased Development Agreements

*Example:* Regional Municipality of Wood Buffalo, AB. Like Prince Rupert, the municipality of Wood Buffalo has seen rental rates and housing prices soar with an influx of workers (many of whom are temporary). The Wood Buffalo Housing and Development Corporation offers affordable home ownership options with a price restriction of 20%-30% below market value. The Wood Buffalo Housing and Development Corporation has created 280 affordable home ownership units to help those working, but still struggling to afford housing, find stability in their housing situation. These units will stay affordable as they are bought and sold, and have helped those working but unable to bridge the homeownership gap.

### 3.5 Housing Organization (LGA Section 176)

*Description:* Many municipalities work with and support housing organizations that manage social and affordable housing. A local government can do this through a housing fund, land donations, below market-value leases, or through partnerships on projects or programs.

Jurisdiction: Local Government Act s. 176 Corporate Powers

Example: City of Medicine Hat, AB. This city of 60,000 residents has a Community Housing Society (MHCHS) that manages homelessness initiatives and social housing. The MHCHS has an annual budget of over \$5 million and oversees 896 social housing units and 117 affordable housing units. Housing programs currently offered include:

- Community housing for families with children and adults with special needs;
- Seniors self-contained housing for persons over the age of 55 with special circumstances;
- Affordable housing rental units provided at rates below market value; and
- Rental supplement subsidies for landlords or qualifying tenants.

Funding for MHCHS Social Housing programs is made up of grants (53%), rental revenue (44%) and payment for resident services (3%). The Affordable Housing program is funded solely through rental revenue, and the outreach and support programs that are offered are funded entirely through grants (\$600,000/year). The municipality helps by contributing grant funding and is able to leverage the work of a local non-profit to access further grants, support and resources from other stakeholders.

With a similar model but different approach, the City of Prince George partnered with Elizabeth Fry, to complete an affordable housing redevelopment with 91 new units. A Housing Society was created at the outset of the project to manage the housing units. By partnering with non-profits, Prince George was able to support a redevelopment project, add new housing units, and create additional affordable housing units without placing a large burden on municipal administration.

### 3.6 Secondary Suites (LGA Section 903/ BCBC Section9)

Description: Municipalities have the authority to allow or disallow secondary suites as a permitted use in residential areas. Secondary suites are subject to compliance with the BC Building Code, so there is limited liability for local governments permitting suites. Many municipalities find that the largest barrier to allowing or encouraging secondary suites as a means of providing affordable housing is public opinion.

Jurisdiction: Local Government Act s. 903 Zoning Bylaw, and BC Building Code 1998 s. 9.36 Secondary Suites

Example: The City of Kamloops has an extremely low vacancy rate and a large student population. Affordable housing units are in high demand. There are some zones where secondary suites are permitted (i.e. RS zone), however, this zone is not used for the majority of residential areas in the City. Although Kamloops does not allow secondary suites as a permitted use in the other residential areas/zones, City Council has adopted a non-proactive policy on the enforcement of illegal suites. The policy stipulates that:

- a) Enforcement will be carried out on a complaints basis only; and
- b) Two separate complaints are required with signatures, from different residents within 150 metres of the subject property, within a 12 month period.

This Policy effectively condones secondary suites, and provides a certain level of comfort to those who want to have a suite in their house.

The City of Dawson Creek has taken a different approach and adopted policies that outright allow secondary suites in single family dwellings in all residential zones subject to the regulations outlined in the BC Building Code.

### 3.7 Development Fee, Tax and Regulation Reduction for Affordable Housing Projects (LGA Sections 931 & 903/CC Division 3)

*Description:* A municipality has a number of mechanisms available which can directly impact the feasibility of developing affordable housing units. Development permit applications, particularly if they require rezoning or OCP amendments can be expensive and time consuming. Developers or non-profits have to pay for inspection fees and in some communities, Development Cost Charges. A municipality can waive these fees to help encourage project realization. It is also possible for a municipality to reduce or waive property tax on affordable housing units, allowing the organization managing them to lower rental rates. Finally, many communities relax parking requirements for affordable housing projects to reduce barriers and make projects more effective and financially viable.

*Jurisdiction:* Local Government Act s. 931 Fees Related to Applications and Inspections and s. 903 Zoning Bylaw, and the Community Charter Division 3 Taxation.

*Example:* City of Dawson Creek, BC. The City's OCP states that "partial or full tax exemptions for buildings owned or leased by non-profit organizations to provide social, cultural or recreational services and programs for public benefit" will be considered. Dawson Creek has been very successful in mobilizing cross-sectoral support for affordable housing. The City also reduces parking requirements for affordable housing projects. These measures lower the development costs related to affordable housing projects.

### 3.8 Additional Practices

There are a number of other more common practices that the City of Prince Rupert may want to consider to help address its affordable housing challenges. These tools are perhaps premature, or would make less of an impact given Prince Rupert's size, density and growth rate, but may provide additional options in the years ahead. Prince Rupert is poised to experience large scale economic growth in the near future and these tools may prove useful in a high growth context. Table 2 below lists some additional practices to encourage affordable housing, as well as a description of how they can be applied.

**Table 2. Additional Practices**

Practice	Description
Density bonusing	Density bonusing is a practice where municipalities specify certain maximum densities in a Zoning Bylaw, but allow higher densities if a development includes a proportion of affordable housing units. This tool often works best where there is demand for high density housing, or a rapidly growing population.
Strata conversion control	Strata conversion controls are put in place to restrict the conversion of apartment buildings into privately-owned condominium units. Often a local government will tie this policy to the vacancy rate: if the rate drops below a certain level, no conversions will be permitted. If Prince Rupert starts seeing applications to convert apartment buildings to strata units, this tool may be useful to help maintain rental housing stock.
Encouraging small and energy efficient units	By encouraging small and/or energy efficient units, the overall price to develop housing units is lowered. Smaller units sold at lower prices represent a reduced barrier to entering into home ownership and these units can also be developed as a less expensive rental option. Energy efficiency lowers the operational costs of housing, and can sometimes lower rental rates.
Rent Bank	A Rent Bank allows low income employed earners to obtain a low or no interest loan in the time of an emergency or crisis to ensure they are able to pay rent. It is meant to act as an alternative to the high interest rates of money lending stores that trap people in a cycle of debt. Many municipalities support Rent Banks that are run through non-profit agencies.

This list is non-exhaustive and many innovative approaches to encourage affordable housing are still being developed in Canada. The City of Prince Rupert has been proactive in engaging their citizens in a conversation about affordable housing options and this will need to continue as steps are taken towards implementing new affordable housing tools.

## 4.0 Recommendations

There are several options that the City of Prince Rupert can employ to encourage the development of additional affordable housing units. In order to ensure the City selects the tools that are most appropriate at this time, we recommend that a Council Workshop be held to discuss the important questions outlined in Table 3: Affordable Housing Discussion Points. The key outcome of the Council Workshop would be the development of an Affordable Housing Strategy for the City that would outline housing objectives, the tools to be used to encourage the development of additional affordable housing units and the prioritization of the strategy's action items.

**Table 3. Affordable Housing Discussion Points**

Tool	Questions to Consider
Inclusionary Zoning	<ul style="list-style-type: none"> <li>- Is there enough demand for new housing to incentivize development with affordable housing requirements in the rezoning process?</li> </ul>
Housing Fund	<ul style="list-style-type: none"> <li>- Does Prince Rupert want to allow developers to provide cash in lieu of affordable housing units?</li> <li>- Does Prince Rupert want to allocate tax dollars to housing?</li> </ul>
Land Banking	<ul style="list-style-type: none"> <li>- Does Prince Rupert want to allow developers to provide land in lieu of affordable housing units?</li> <li>- Are there plots of land that Prince Rupert already owns or could obtain that would be appropriate for affordable housing?</li> </ul>
Resale Price Restrictions	<ul style="list-style-type: none"> <li>- Is there an opportunity to enter into agreements with developers that would see housing sold to buyers below market value in exchange for density, land, certainty of approval or some other benefit?</li> <li>- Is there a large demand for price restricted housing in Prince Rupert?</li> <li>- Would the municipality or a housing organization have the capacity to manage a waitlist for housing and the resale of price restricted houses?</li> <li>- Would density bonusing or rezoning approval incentivize a developer to enter into a housing agreement to build price restricted units?</li> </ul>
Housing organization	<ul style="list-style-type: none"> <li>- The M'akola Housing Society already exists and is expanding their scope of housing management, how can their capacity be leveraged by the City?</li> <li>- How strong is the relationship between the municipality and Prince Rupert Housing Societies?</li> <li>- Is there the potential for partnerships?</li> </ul>
Secondary suites	<ul style="list-style-type: none"> <li>- Would there be a significant number of existing households that would create secondary suites if legislation were relaxed. Are there ways we can incentivize the registrations of existing "illegal" secondary suites?</li> </ul>
Fee, tax and regulation reduction for affordable housing projects	<ul style="list-style-type: none"> <li>- Would reducing fees and/or taxes make an impact on the feasibility of affordable housing projects?</li> <li>- Would the City be placed in a position of increased financial risk if taxes from a future housing development were reduced or eliminated?</li> </ul>

As further discussion takes place around affordable housing policy, Prince Rupert can continue to undertake steps to support redevelopment of an Affordable Housing Strategy. These steps may include the following:

- The collection of detailed information on the current and projected need for affordable housing, the number of residents who are at risk of homelessness or require affordable housing, and the impact/effort ratio of the various potential affordable housing tools;
- The OCP could be updated to include policies on inclusionary zoning, housing funds and land banking, fee, tax and regulation reduction for affordable housing;
- The Zoning Bylaw could be updated to allow secondary suites and inclusionary zoning; and
- The City could enhance partnerships with affordable housing non-profits.

Although the range of options available for the City to encourage affordable housing is broad, a few tools will likely emerge as being the most appropriate and feasible at this early stage. Even if only a few tools and/or actions are pursued, tying them together into policy will increase efficiency and broaden the range of options for affordable housing in Prince Rupert as the City deals with the impending Major Projects.