



Budget 2023 Submission

SELECT STANDING COMMITTEE ON FINANCE AND GOVERNMENT SERVICES

LEGISLATIVE ASSEMBLY OF BRITISH COLUMBIA

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Table of Contents

- Table of Contents.....1
- Introduction2
 - About Housing Central.....2
 - BC Non-Profit Housing Association.....2
 - The Co-Operative Housing Federation of BC.....3
 - The Aboriginal Housing Management Association.....3
- 1. *Move up \$4.2B in housing supply investments*.....3
 - Context.....3
 - Solution.....4
- 2. *Support AHMA’s Urban Rural and Northern Indigenous Housing Strategy*4
 - Context.....4
 - Solution.....4
- 3. *Commit \$500M to develop a rental housing acquisition strategy*5
 - Context.....5
 - Solution.....5
- Final Reflection6
- Appendix A – Acquisition “Prototype” Project Overview.....7
 - Demonstrating Potential Impact7
 - Discussion7
 - Comparison.....7
 - Conclusion.....7

Introduction

It is with pleasure that BC Non-Profit Housing Association, the Co-operative Housing Federation of BC, and the Aboriginal Housing Management Association submit our Budget 2023 consultation paper. We recommend the Select Standing Committee on Finance and Government Services consider the following proposals to strengthen housing affordability in BC:

1. **Move up \$4.2 billion in Housing supply investments so it can be spent immediately.** The provincial government has \$4.6 billion planned in housing investments between 2022 and 2028, and the community housing sector has the capacity to use over \$4.2 billion to build over 10,000 affordable homes.
2. **Support AHMA's Urban Rural and Northern Indigenous Housing Strategy**, allocating funding for the planning and implementation stages of the key actions dedicated to addressing Indigenous housing needs across the province.
3. **Commit \$500M in capital funding to develop a rental housing acquisition strategy**, that helps non-profit and co-operative housing providers acquire rental housing stock as it comes up for sale on the market to address the rapid loss of deeply affordable rental market homes.

Taken together, these proposals will ensure that British Columbians have increased access to affordable housing and that their housing is affordable, safe, and in a livable state of repair.

About Housing Central

Housing Central is a strategic alliance between BC Non-Profit Housing Association (BCNPHA) and the Co-operative Housing Federation of BC (CHF BC). Our mission is to strengthen and grow the community housing sector so all British Columbians have a safe, secure home they can afford.

BC Non-Profit Housing Association

BC Non-Profit Housing Association (BCNPHA) has been the provincial umbrella organization for the non-profit housing sector for nearly 30 years. We serve more than 500 members, including non-profit housing societies, businesses, individuals, partners and stakeholders, with education and professional development opportunities, research and advocacy, and asset management services. BC's non-profit housing societies manage more than 70,000 units of long-term, affordable housing in over 2,500 buildings across the province.

The Co-Operative Housing Federation of BC

The Co-operative Housing Federation of BC (CHF BC) acts as the voice for housing co-ops in BC. We represent the co-op housing sector and advocate for co-ops, whether with government or other institutions. We often work with CHF Canada on national issues and have had many successes.

The Aboriginal Housing Management Association

The Aboriginal Housing Management Association (AHMA) was established in 1996 with a mission to “lead and advance housing rights for ALL Indigenous Peoples in British Columbia”. It is comprised of 55 Indigenous housing and service providers located all across BC, managing more than 95% of all Indigenous housing units in urban, rural, and northern areas of the province (off reserve). AHMA administers funds – in partnership with BC Housing – for almost 7,597 existing and upcoming units that house First Nations, Métis, Inuit, and self-identified Indigenous families living in urban, rural, and northern parts of the province.

1. Move up \$4.2B in housing supply investments

Context

In Budget 2018, the provincial government committed to providing investing \$6.184 billion to build 33,700 homes over ten years, with just over 1.9 billion between 2017/18 and 2020/21, and a further \$4.2 billion in investment planned between 2022 and 2028 (Figure 1 below). Budget 2022 accelerated \$100 million to Building BC’s Community Housing Fund for each year between 2022/23 and 2024/25.

Figure 1: Planned provincial investments in new supply, Budget 2018

	2017/18 to 2020/21 (\$ millions)	10-Year Total	Housing Units (#)
Modular and Affordable Rental Housing (<i>Budget 2017 Update</i>)	724	1,249	3,700
Affordable Rental Housing.....	453	1,962	19,250
Permanent Supportive Housing	178	1,239	2,500
Housing Options for Women and Children Fleeing Abuse	141	734	1,500
Housing for Indigenous Peoples.....	158	550	1,750
Student Housing Beds	259	450	5,000
Total	1,913	6,184	33,700

¹ Investments include operating and capital funding for direct contributions to construction or increasing the affordability of existing housing projects as well as funding for other supports (i.e. ongoing operating costs and support services).
² Funded through both the Municipal Affairs and Housing budget and the Ministry of Finance’s Housing Priority Initiatives Special Account.
³ Does not include an estimated 3,000 student housing beds to be funded through other sources.

Since the 2018 Budget, just over \$1.6 billion¹ invested through Building BC programs², delivered 16,856 completed or emerging units. This leaves \$4.5 billion **remaining** to build 16,844 homes over the next 6 years to meet the stated target of 33,700 homes.

¹ Data obtained from BC Housing.

² Building BC programs include: Rapid Response to Homelessness, Affordable Rental Housing, Community Housing Fund, Indigenous Housing Fund Supportive Housing Fund, and Women’s Transition Housing Fund (2020/21 BC Housing Annual Service Plan).

While these investments have delivered thousands of desperately needed affordable homes across the province, the level of demand is overwhelming the annual allotted investment as communities struggle to address decades of unit backlog and underfunding. The 2021 Community Housing Fund Call for Proposals received applications for 13,000 units, demonstrating the Community Housing Sector’s capacity, willingness, and readiness to take part in the solution to the affordable housing crisis in the province. However only 2,600 were approved due to budgetary constraints.³

Solution

We urge the province to move up \$4.2 billion committed in Budget 2018 into the 2023-2024 budget cycle to invest in the 10,400 homes (\$400,000 per unit) that were not funded through the 2021 Community Housing Fund Call for Proposals. This would address immediate need in communities across the province and further the government’s progress towards meeting the commitments laid out in Budget 2018 and remains within the investment amount originally committed, albeit on a different timeline. The affordable housing crisis is felt in communities across the province and this move would ensure that provincial investment would keep pace with the urgency for affordable housing in communities large and small.

2. Support AHMA’s Urban Rural and Northern Indigenous Housing Strategy

Context

On January 26, 2022, AHMA released British Columbia’s first Indigenous community-led Provincial Urban, Rural and Northern Indigenous Housing Strategy, outlining a 10-year plan to address the housing needs of off-reserve Indigenous people in the province.

According to the latest data available, Indigenous people in BC are disproportionately represented in many negative indicators such as: Lower average incomes, higher unemployment rates, more lone-parent families (47% of them in core housing need), over-representation in homelessness, and a disproportionate impact by the opioid crisis and the Covid-19 pandemic.

The strategy identifies 12 gaps in existing programs and services that contribute to these indicators, including: Lack of resources, programs not indigenous specific, penalization of revenue generation, lack/limited funding for housing related supports, and limited access to land and other capital.

Solution

To address the need of the estimated 29,983 Indigenous households in need of affordable housing, the strategy contemplates four solutions with the following housing targets.

Affordable Housing Solution	Units
Rent/affordability assistance	10,350
Supportive housing	5,400
Affordability homeownership	1,400
Independent subsidized housing	12,850
Total	30,000 (rounded)

³ Information obtained from BC Housing.

The strategy states that the provincial government is expected to play an important role in advancing these solutions. To do so, we expect Budget 2023 to:

- Reinstatement of the Indigenous Housing Fund (IHF) and doubling the original commitment of 1750 units, with 800 units included in the upcoming budget. So far, just over 1,100 units have been approved and the strategy shows that over 12,000 subsidized units are needed for the next 10 years.
- Establish a new Indigenous Co-op Housing program, designed by AHMA in partnership with CHFBC.
- Prioritize investment in supportive housing directed at For Indigenous, By Indigenous organizations and models across the province with a target of 5,000 units. The province has targeted investments to support the development of 2500 units of supportive housing through the Supportive Housing Fund, representing 1.2B dollar investment over ten years. However, only 6% (154 units) funded so far through this investment will be operated by Indigenous-led housing providers. Indigenous people as it is well documented make up 39% of the chronically homeless population across the province.

3. Commit \$500M to develop a rental housing acquisition strategy

Context

A crucial, yet missing piece from BC's housing system is a rental housing acquisition strategy that helps facilitate not-for-profit entities within the community housing sector to acquire existing market rental buildings as they come up for sale.

Housing Central has previously reported on the substantial loss of deeply affordable rental market homes since 1991. An analysis of more recent data shows that between 2015 and 2019, provincial government investment initiated just over 11,000 affordable homes but over 34,000 rental dwellings were lost. For every 1 unit of provincially supported affordable housing developed, over 3 affordable homes in the private rental sector were lost.⁴

Given this rapid loss of older, more affordable rental homes over the last generation, the provincial government will not be able to build its way out of the current affordability crisis without an acquisition strategy.

Solution

We propose that Budget 2023 jumpstart a provincial acquisition strategy, with a new provincial rental housing acquisition fund (the Fund) at its core, capitalized with an initial investment of \$500 million. The purpose of the Fund would be to quickly, efficiently, and competitively approve and provide one-time capital grants to freehold acquisition projects initiated by non-profit entities in the community housing sector.

The Fund is not intended to duplicate or add undue complexity to existing lending and investment facilities, either public or private. Rather, grants from the Fund would be deployed to offset the

⁴ Housing Central (2021)

purchase price of a given property to the point where the net operating income (NOI) generated by the current rents can support the financing and operating costs of the property. The Fund would have no on-going role in the project, nor would the project have any recourse to the Fund: all loans, legal agreements, and covenants would be the responsibility of the non-market owner. Grants from the Fund should be structured in such a way as to provide for a minimum debt coverage ratio of 1.20 or 1.25. This would help manage risks involved in situations where limited building documentation is available or producible within realistic closing timelines and would also provide the non-profit owner flexibility to accommodate any need for more affordable rents for tenants whose housing situation is under severe stress.

The Fund would not itself originate projects. Instead, non-profit entities would submit to the Fund acquisition proposals that are, aside from the need for capital, viable and sustainable. Proponents would include documentation such as rent rolls, building assessments and maintenance log (where available), and a commitment letter from a financial partner. Staff at the Fund would then quickly assess the documentation and make a recommendation to the Committee to fund the proposal or not. Funding decisions would be made by the Committee, through a majority vote.

Insofar as the Fund may not be a permanent institution, BC Housing could be a likely entity for its management. This could bolster the possibility to combine Fund grants with financing through the Housing Hub. Moreover, it would be consistent with the NDP's election platform commitment of directing the Housing Hub "to partner with non-profit and co-op housing providers to acquire and preserve existing rental housing".

To demonstrate the potential impact of the Fund in terms of the province meeting its housing goals, we have included a "prototype" project in Appendix A.

Final Reflection

Taken together, these three proposals would have a significant impact on the affordable housing system in BC. Protecting existing stock, preserving affordability, and building new stock are the only ways to ensure that the dial is being moved on housing affordability. BCNPHA, CHF BC and AHMA again thank the Select Standing Committee on Finance and Government Services for reviewing this submission and we look forward to seeing these initiatives implemented in Budget 2023.

Appendix A – Acquisition “Prototype” Project Overview

Demonstrating Potential Impact

Aware of the non-profit sector’s desire to establish a Fund for acquiring existing rental properties, New Market Funds has approached Housing Central with a potential “prototype” project. The property at 631 6th St, New Westminster, is a 72-unit concrete building with retail at grade and close to Skytrain and bus transport. The rent schedule shows that 63% of the 70 studio and 1-bedroom units currently rent for less than \$1,000/month; a dozen have rents under \$800/month. On average, rents are at approximately 70% of local market rents and are affordable for households making less than \$40,000 per year.

Discussion

The building is on the market, with target rents set at \$1,350-\$1,443/month. This is not overly aggressive in local market terms but would clearly represent a substantial erosion of overall rental affordability in downtown New Westminster. Its impact on the tenants is likely to be equally detrimental. The target rents, at a 4.5% cap rate and current expenses, yields a valuation of approximately \$23.3M. The current rents will support only a fraction of this debt service.

The attached pro forma proposes to preserve the current level of affordability using a \$13M long-term, 50-year, mortgage CMHC loan facilities available to non-profits, \$1.5M in mid-term equity from New Market’s newly launched Rental Fund II, designed specifically to assist sector acquisition of existing rental stock, and a grant from the Acquisition Fund of approximately slightly less than \$10M. As the pro forma demonstrates, the grant will preserve the current affordability while meeting the Fund’s financial metrics as outlined in the proposal document.

Comparison

While the grant per unit is higher than the suggested target in the proposal, the deep affordability, at 70% of 2021 HILs, may justify the increased amount. Certainly, achieving this level of affordability in new construction would be both time-consuming and costly. In concrete construction, the development cost including land, would likely be in excess of \$34M and might take 4 years to complete. Even in wood frame, the building would probably cost close to \$30M. Given a standard BC Housing-backed 35-year mortgage at the same interest rates assumed in the pro forma and a DCR of 1.10, the per unit grant would likely exceed \$250,000, a premium of close to 40% above the proposed acquisition.

Conclusion

Acquisition projects like 631 6th St, made possible by the Fund, can offer an attractive complement to the current Building BC strategy, in terms of both time and budget, adding flexibility to the Government of BC’s housing affordability strategy.