

An Affordable Housing Plan for BC

Presented by the BC Rental Housing Coalition



BY THE NUMBERS AFFORDABLE HOUSING PLAN



THE PROBLEM



**MINIMUM
6,860**
individuals
experiencing
homelessness
in BC



117,000
households needing
help affording rent
in current unit



80,000
units needed to fix backlog



A TOTAL OF
35,000 units of affordable rental
are needed over the next
10 years, of which:
11,500 will be for missing middle households
23,500 will be for core need households

THE INVESTMENT

AVERAGE ANNUAL COST (MILLIONS)

	Supply	Non-Profit Repair	Income Support	Homelessness	TOTAL
Provincial	\$410.61	\$41.54	\$203.06	\$36.05	\$691.26
Federal	\$410.61	\$41.54	\$203.06	\$36.05	\$691.26
Community Housing Sector	\$410.61	\$41.54	N/A	\$9.50	\$461.65
TOTAL	\$1.23 B	\$124.62	\$406.12	\$81.60	\$1.8B

THE IMPACT



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AN AFFORDABLE HOUSING PLAN FOR BC



Every resident of British Columbia deserves a safe, secure, and affordable home. In recent years, however, rising costs have created serious challenges for individuals and families, whether they rent or own their own homes. In turn, a lack of affordable housing options has begun to put pressure on the social and economic fabric of large and small communities across the province. Nowhere is this felt more acutely than in the rental housing system, where a lack of affordable options has led to rising numbers of individuals experiencing homelessness, an inability for young families to save for a down payment on a home, employers struggling with recruitment and retention of workers, and an exodus of individuals and families from large urban centres.¹ These are only some of the human and economic costs related to a lack of affordable housing options in communities across BC.

While media commentary has tended to focus on the lack of affordable housing, less attention has been given to what it will take to solve the crisis. The Affordable Housing Plan for BC estimates the investments required to meet current and future affordability and supply challenges for renter households in BC and its 28 regional districts across the province over a ten-year period. The Plan also examines the investments required to save our existing supply of non-profit and co-op housing and to meaningfully address homelessness in the next ten years. The BC Rental Housing Coalition proposes solutions to the affordable housing crisis by providing a policy framework and specific actions to meet the targets set out in the Plan.

In order to meet the affordable housing challenge, we need to address both the existing backlog of need, and future demand. The Plan estimates that by 2016 there was a backlog of nearly 80,000 new rental units. In addition, there

¹ Stephen Gaetz, Tanya Gulliver, & Tim Richter. 2014. The State of Homelessness in Canada 2014. <http://www.homelesshub.ca/sites/default/files/SOHC2014.pdf>; Tamsyn Burgmann, "Vancouver companies lure, retain workers with jobs that make a difference," CTV News, June 5, 2016. Found at: <http://www.ctvnews.ca/business/vancouver-companies-lure-retain-workers-with-jobs-that-make-a-difference-1.2931945>; Paul Kershaw. 2017. B.C. is the worst performing economy in Canada for younger generations. https://d3n8a8pro7vhmx.cloudfront.net/gensqueeze/pages/136/attachments/original/1489538267/GS_CodeRed_BC_Worst_Economy_2017-03-15.pdf?1489538267.



was a backlog of 117,000 renter households that required some form of income assistance to afford the unit they currently rent. We also estimate that the province needs an average 7,000 new rental units a year for each of the next ten years (2017–2026). The Plan breaks out these numbers with additional detail and policy responses below.

Pursuing the targets set out in the Affordable Housing Plan will have a significant positive impact on communities across the province by easing cost pressures throughout the housing system. A healthy housing sector supports a broad range of needs and can only do so by providing a wide variety of housing options. This is because the pieces of the housing sector are inextricably linked; when one area suffers, it negatively impacts the others. When mortgages are high in the Community Housing Sector, costs are passed on to tenants. When rents are high, tenants cannot save to purchase a home. Research has demonstrated that increases to the rental stock can have a stabilizing effect on the owner-occupied market and that high ownership rates in OECD countries has been associated with high ownership rates have been associated with unstable housing markets.² Investments in rental housing also help to increase housing options, add to overall affordability, promote flexibility for changing life circumstances, and add to the fluidity of the labour market.³

The Plan uses a wide variety of data sources and will be continually updated and enhanced as new information becomes available, which, in turn, will allow us to track our progress toward ensuring that all British Columbians are affordably, safely, and suitably housed. This will involve improving communication and information sharing with stakeholders across the province so that local conditions are adequately represented.

Community Housing Sector: Working collaboratively to solve the crisis

Solving the affordable housing crisis is not the job of government alone. The Affordable Housing Plan positions local communities as an equal partner with governments in tackling most housing-related issues. Throughout this report we refer to the Community Housing Sector. This term refers to the wide range of local partners who have a stake in building and maintaining a long-term supply of permanent affordable housing. This includes non-profit and co-op sector organizations and housing providers, community land trusts, municipalities, charities and faith based groups, as well as cause-driven private sector organizations and financial institutions.

To leverage both new government investments and existing assets, the Affordable Housing Plan sees an expanded role for the Community Housing Sector in the development of new housing for a broad range of people whose needs are not currently met by the market. This includes, but is not limited to, low and moderate-income workers, individuals with disabilities, seniors who require income or health supports, Indigenous people, homeless individuals, and persons on income assistance. With the continued de-coupling of local incomes from rents felt in many parts of BC, the share of housing within the Community Housing Sector will continue to grow. Recent Provincial investments in the Community Housing Sector confirm this trend. The Plan sees the Community Housing Sector contributing substantial equity and expertise to create solutions, and proposes that the Federal and Provincial governments come to the table as equal partners.

We estimate that an investment of \$1.8 billion annually over the next ten years is required to address the housing affordability crisis. The investments include creating the new units we need, providing income gains required to make current housing affordable, and addressing chronic homelessness. By working collaboratively with municipalities and other partners, the Community Housing Sector can bring \$461 million to the table annually through land contributions, leveraging equity from assets, private donations and financing. This requires the provincial and federal governments to each commit an average annual investment of \$691 million over the next ten years. This annual commitment required by the Provincial and Federal governments in the years ahead is similar to what they already have committed in both the 2016 and 2017 fiscal years. Table 1 provides an overview of the average annual investments required to meet the targets set out in the Plan going forward.

2 André, C. and C. García (2012), "Housing Price and Investment Dynamics in Finland", OECD Economics Department Working Papers, No. 962, OECD Publishing, Paris.

3 de Boer, R. and R. Bitetti (2014), "A Revival of the Private Rental Sector of the Housing Market?: Lessons from Germany, Finland, the Czech Republic and the Netherlands", OECD Economics Department Working Papers, No. 1170, OECD Publishing, Paris.



Table 1 – Average annual cost to significantly increase housing affordability and reduce homelessness in British Columbia

AVERAGE ANNUAL COST (MILLIONS)					
	Supply	Non-Profit Repair	Income Support	Homelessness	TOTAL
Provincial	\$410.61	\$41.54	\$203.06	\$36.05	\$691.26
Federal	\$410.61	\$41.54	\$203.06	\$36.05	\$691.26
Community	\$410.61	\$41.54	N/A	\$9.50	\$461.65
TOTAL	\$1.23B	\$124.62	\$406.12	\$81.60	\$1.84B

The economic case for new investments

While the costs outlined in the Plan may seem large, the costs of inaction are far higher. Investments made now can save billions in the future. For example, homelessness alone is estimated to cost Canadians \$7 billion annually, including \$1 billion per year in British Columbia.⁴ Research has found that for every \$10 spent on housing and supports for those who are chronically homeless, \$21.72 is saved in costs related to health care, the justice system, shelters, and other social supports.⁵ The proposed annual investments of \$81.6 million for homelessness contained in this Plan have the potential to save \$177 million annually in other areas of spending within BC.

The construction of affordable rental housing units will contribute thousands of jobs and billions in tax revenue for government. A 2013 report by LandlordBC and KPMG Canada found that BC’s rental housing sector contributed \$10.60 billion to Canada’s GDP, produced \$4.87 billion of labour income, and generated 82,851 full-time equivalent jobs across the province.⁶ Another study found that for every dollar government invested in residential building construction in Ontario, Canada’s GDP increased by \$1.52.⁷ Using the same multiplier effect, the Plan’s proposed average annual supply investment of \$1.23 billion would contribute \$1.87 billion to Canada’s GDP annually. In addition, given that housing is the most expensive budget item for the average BC household, income support programs would increase disposable income for low-income households, creating even more economic activity. If the recommendations in this report are followed, a total of \$4.06 billion over ten years could be put back into the economy through increased consumer spending.

It should be noted that while the Plan quantifies each of these areas in dollar figures, contributions of land, preferred financing, density, and tax exemptions all count towards achieving the supply figures. In addition, measures such as a reduction in MSP premiums and increases to wages all count towards closing the income gap laid out below.

4 Stephen Gaetz, Erin Dej, Tim Richter, & Melanie Redman. 2016. The State of Homelessness in Canada 2016. http://homelesshub.ca/sites/default/files/SOHC16_final_20Oct2016.pdf. Estimates for BC based on calculations made by BCNPHA.

5 Gaetz, Gulliver, & Richter. 2014. The State of Homelessness in Canada 2014.

6 LandlordBC & KPMG Canada. 2014. Economic Impact Assessment Study – British Columbia’s Rental Housing Sector. https://www.landlordbc.ca/sites/default/files/kpmg_final_report_2014.pdf.

7 Noah Zon, Melissa Molson, & Matthias Oschinski. 2014. Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario. https://mowatcentre.ca/wp-content/uploads/publications/98_building_blocks.pdf.



1 QUANTIFYING THE AFFORDABILITY CHALLENGE



This section of the Affordable Housing Plan outlines current rental housing demand, as well as future demand in British Columbia over the next ten years. Further, it estimates what it will cost to meaningfully address the supply, income, repair, and homelessness challenges in communities across the province. The figures presented in this section of the report are for BC as a whole.⁸ If you are interested in learning more about the figures unique to your region, please visit housingcentral.ca for regional summaries.

Demand for affordable rental housing

Over the next ten years in British Columbia, demand for rental housing is estimated to increase by an average of 7,000 new households per year.⁹ Of these households an annual average of 2,350 are projected to be in core housing need. Core housing need is a concept that was developed by the Canada Mortgage and Housing Corporation to refer to households that fall below one or more affordability, suitability (overcrowding), and/or adequacy (repair) standards, and are also not able to afford average market rent in their community. In addition to this demand, an annual average 1,150 households are projected to be in the 'missing middle'. This refers to renter households who have incomes between \$30,000 and \$76,000, but will have difficulty finding affordable, adequate, and suitable rental housing in the private market.¹⁰ Another 3,500 households per year are projected to have sufficient income to be housed without a problem in the private market (Figure 1).

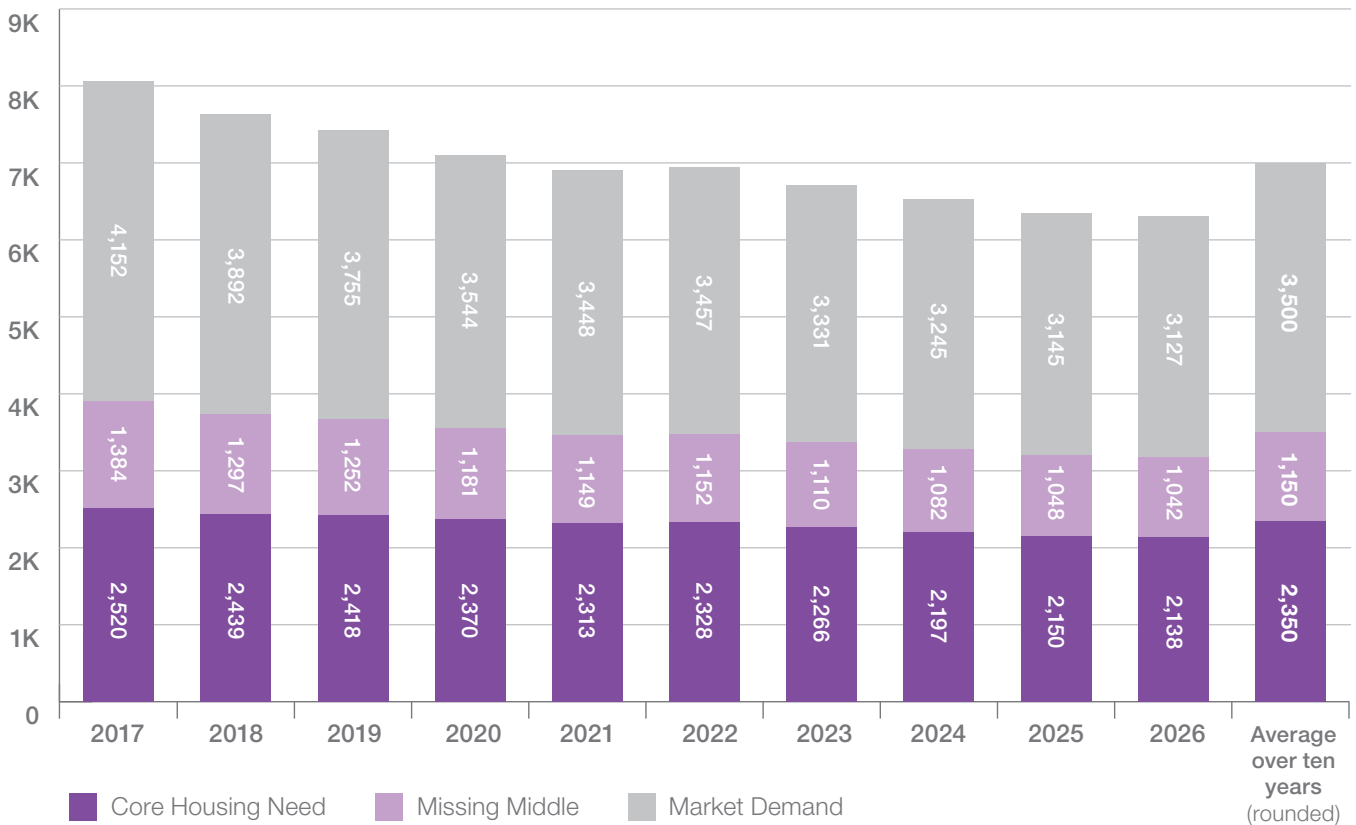
⁸ Data based on BC Population projections contained in BCNPHA's Our Home Our Future Report (2012). Provincial data is the sum of regional district analyzed. Data for the Stikine Regional District is not available.

⁹ The rate of growth over the next ten years is anticipated to gradually decline.

¹⁰ Missing middle figures were derived from an analysis of CMHC core housing need data tables, the 2001; 2006; and 2011 census income groups for renter households; and BCNPHA population projections. More information can be found at housingcentral.ca.



Figure 1 – New annual rental demand projections by market segment (BC)



Supply

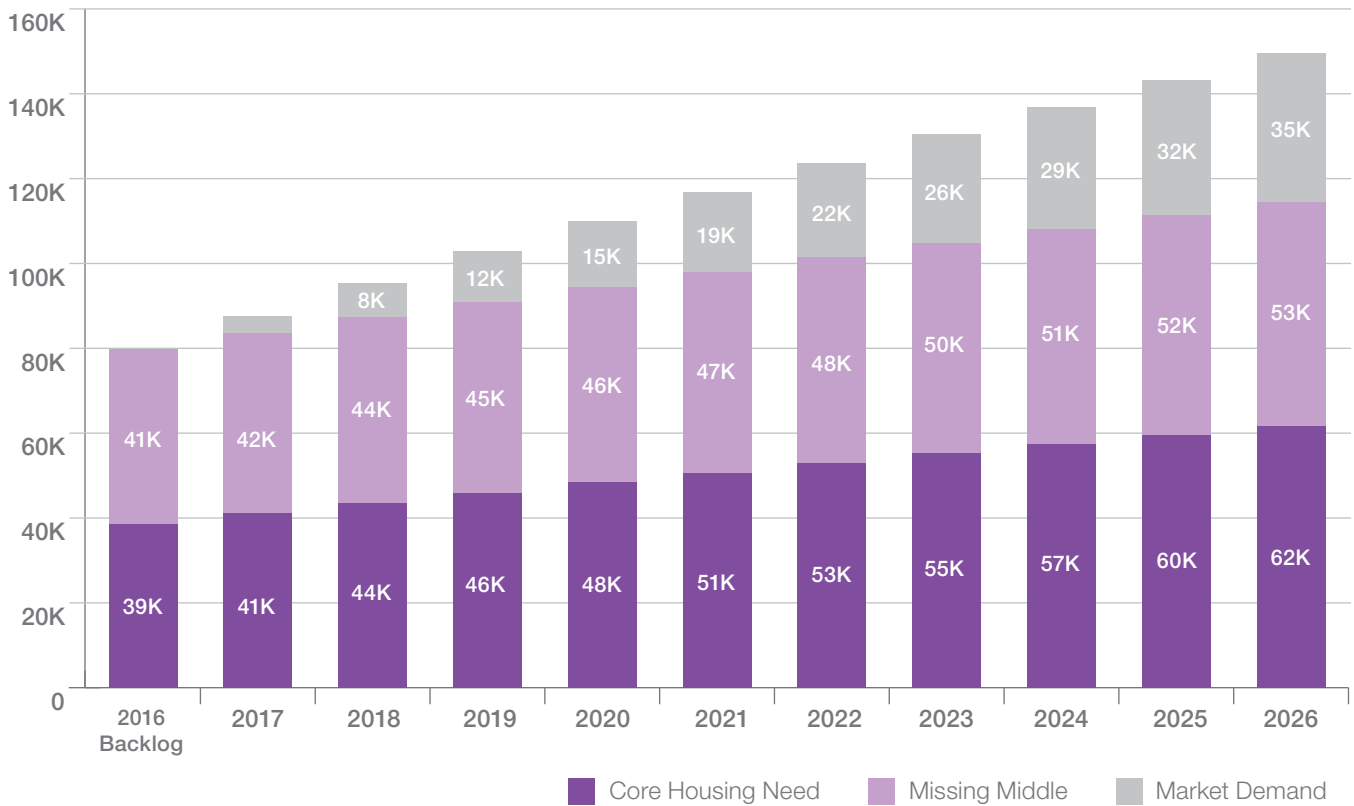
While the demand projections displayed above provide insight into future supply required in British Columbia, insufficient federal and provincial affordable housing programs over the past 25 years has led to a significant supply backlog in our affordable housing stock. We estimate a backlog of nearly 80,000 affordable, adequate, and suitable units in 2016.¹¹ This shortage has driven down vacancy rates and increased homelessness and needs to be addressed if we are to meaningfully solve the rental housing crisis. To keep up with the projected household growth identified above, an additional 3,500 affordable units are required annually on average, of which an average of 2,350 units need to be directed to those in core housing need and an average of 1,150 units toward those in the missing middle. Figure 2 shows the current supply backlog for missing middle and core need households, as well as the accumulation of future supply past 2017 if nothing is done.

As affordable housing supply is increased, it will relieve pressure throughout the entire housing system. More affordable supply will help households save, increase disposable income, and create more balanced, mixed-income communities. Vacancy rates will rise to healthier levels, alleviating pressure on the market rental stock, and allowing local workers to rent in their own communities and local businesses to access a strengthened labour pool.

¹¹ Based on renter households living below multiple housing standards, as well as those living in overcrowded conditions for households below and above the core housing need income threshold.



Figure 2 – Cumulative supply required annually, including estimated supply backlog of 80,000 units (BC)



WHAT DOES IT COST?

To cost out the supply estimates, the Affordable Housing Plan developed a financial model that makes various assumptions about a development program in 27 regional districts across the province.¹²

The financial model assumes a mixed-income and cross-subsidy approach to housing development. Higher rents paid by higher income households offset the lower rents paid by lower-income households, so as to ensure financial viability as well as diverse, mixed-income housing projects. Mixed-income projects are more socially cohesive and more financially viable over time as they do not require ongoing operating subsidies from government. As such, the Affordable Housing Plan assumes that tenant rents for both core need and those in the missing middle will contribute to a project's financials, reducing the amount of debt and grant capital required.¹³ This approach also assumes favourable financing terms are available for the Community Housing Sector that would allow a project to access financing at a 35-year amortization period, with three percent fixed interest.¹⁴

Combined with the tenant income offset and favourable financing terms, Table 4 shows the capital costs that require investments from the Province, the Federal government, and from the Community Housing Sector.

¹² The financial model accounts for different unit sizes, building materials and efficiency, soft costs, land, tenant income, operating costs, and financing terms. Stikine and Peace River regional districts were excluded from the building model. More information on the model can be found at housingcentral.ca.

¹³ The average income for core need renter households in 2011 was \$22,946 and \$67,315 for missing middle households (CMHC core housing need figures for 2011).

¹⁴ The Plan also assumes a 1.2 debt coverage ratio.



Table 2 – Annual total cost to address supply gap (BC)

	Provincial (millions)	Federal (millions)	Community (millions)	TOTAL ANNUAL COST (Billions)
2017	\$425	\$425	\$425	\$1.28
2018	\$419	\$419	\$419	\$1.26
2019	\$418	\$418	\$418	\$1.25
2020	\$414	\$414	\$414	\$1.24
2021	\$410	\$410	\$410	\$1.23
2022	\$412	\$412	\$412	\$1.24
2023	\$408	\$408	\$408	\$1.22
2024	\$402	\$402	\$402	\$1.21
2025	\$400	\$400	\$400	\$1.2
2026	\$399	\$399	\$399	\$1.2
Annual Average	\$411	\$411	\$411	\$1.23

The capital investments in affordable rental housing over the course of 2016 and 2017 by both the Provincial and Federal governments were an important first step in addressing the supply shortage in BC (Table 4). Investments on that scale are required on an annual basis to meet the affordable housing challenge.

Table 3 – Capital programs for affordable rental housing in 2016/17(BC)

Housing Program	Jurisdiction	Investment
Investment in Housing Innovation	Provincial	\$500 million
Provincial Investment in Affordable Housing	Provincial	\$50 million
Federal Investment in Affordable Housing	Joint (provincial share)	\$60 million
Federal Investment in Affordable Housing	Joint (federal share)	\$60 million
TOTAL		\$670 million



Save our stock: Maintaining our existing supply

Preserving the existing supply of affordable housing is equally as important as building new supply. The majority of the affordable rental stock in BC was built before 1980 and much of it has significant repair requirements. Previous Federal and Provincial social housing supply programs allowed for the replacement of some building components, but did not factor in long-term capital upgrades. Also in most cases, surpluses beyond minimal requirements for replacement reserves had to be sent back to government. This created a situation where non-profit providers were not able to save for major repairs, resulting in decades of unfunded liabilities within the non-profit rental stock.

The required investment in the non-profit stock totals \$1.25 billion over the next ten years (Table 5).¹⁵ We believe the Community Housing Sector has the equity to leverage its share of the \$125 million average annual investment needed over the next decade to bring the affordable stock up to ‘good’ condition. Table 5 provides the average annual investment required, and breaks out the provincial, federal and community contributions required. Regional breakouts can be found at housingcentral.ca.

Table 4: Investments required to bring non-profit housing supply up to ‘good’ condition (BC)

	Provincial (millions)	Federal (millions)	Community (millions)	Annual Total Cost (millions)
2017	\$33.0	\$33.0	\$33.0	\$99
2018	\$35.8	\$35.8	\$35.8	\$107.4
2019	\$38.3	\$38.3	\$38.3	\$115.0
2020	\$58.7	\$58.7	\$58.7	\$176.0
2021	\$34.6	\$34.6	\$34.6	\$103.8
2022	\$43.4	\$43.4	\$43.4	\$130.3
2023	\$36.8	\$36.8	\$36.8	\$110.5
2024	\$37.5	\$37.5	\$37.5	\$112.6
2025	\$51.5	\$51.5	\$51.5	\$154.6
2026	\$45.7	\$45.7	\$45.7	\$137.0
Annual Average Cost	\$41.5	\$41.5	\$41.5	\$125

In addition to the existing non-profit repair challenges, an estimated 17,969 households in the private rental market have a repair issue with their unit.¹⁶ The Affordable Housing Plan does not estimate the repair costs of these units, but regional breakouts can be found at housingcentral.ca.

¹⁵ Non-profit repair figures are derived from building condition assessments of the non-profit housing stock conducted by BC Housing. Figures include assessments on roughly 90% of the stock.

¹⁶ Based on Rental Demand projections and Beyond 20/20 tables on core housing need (provided by CMHC and based on 2006 and 2011 census periods), the latter of which relies on a tenant’s self-assessment of their individual unit and is considered to be a severe under-estimation of the overall condition of the private market rental supply. This figure represents renter households with only an adequacy issue, but above the core housing need income threshold. This figure does not include core housing need households with an adequacy issue only given that some of these households live in the non-profit stock and counting them could lead to double counting.



Income

In addition to creating new supply and rehabilitating the existing stock, solving the rental affordability challenge will require the implementation of measures to increase incomes of renters. Increases to household income will help stabilize households experiencing affordability problems in their existing homes and help tackle a wide variety of issues such as food security, poverty, and homelessness.

To estimate the amount of income support required for renter households in the province, the Plan calculated the ‘affordability gap’ for core need renter households, in 28 regional districts across the province, that are facing solely an affordability barrier in their current housing situation.¹⁷ A concept used in previous research, the affordability gap refers to the difference between what renters pay for shelter and what renters can afford. For example, if a renter can afford \$750 in rent per month (based on the commonly used threshold of 30% of gross household income), and is paying \$1000 in rent, then their affordability gap is \$250 per month. The affordability gap is then multiplied by the number of core need renter households with only an affordability problem (but which are in otherwise adequate and suitable housing) in each regional district, providing an annual cost estimate of income support needed.¹⁸ There was an estimated 117,000 of these core need renter households by 2016, over and above the existing supply backlog.

Table 6 provides the annual average income support required to fix the affordability gap for BC as a whole.¹⁹ The Plan assumes that the annual figure of \$406 million will be cost-shared between Provincial and Federal governments.

Table 6 – Average annual income support required to fix affordability gap (BC)

Partner	Average Annual Income Support (millions)
Provincial Share	\$203.06
Federal Share	\$203.06
Community Housing Sector Share	N/A
TOTAL	\$406.12

Given that it will take time to build the targets in the Affordable Housing Plan, more income support will be required in the initial years of the Plan. As housing is brought online and creates more affordable communities, less income support will be required for low-income households. While we estimate income support over a ten-year period, the Plan will be updated as new data becomes available, to reflect changing circumstances in the housing system and social safety net.

Homelessness

Mass homelessness is a relatively new problem in Canada, beginning in the 1990s after federal cuts to affordable housing programs that culminated in 1993 with the end of new supply programs. Since then, homelessness has often felt like an intractable problem. Fortunately, with appropriate investments and a commitment to coordinated responses, we can make homelessness rare, brief, and one-time.

17 This calculation represents the total of each regional district put together, using average incomes and rents for core need renter households with an affordability problem only.

18 For instance, see: National Housing Collaborative. 2016. A new housing affordability agenda for Canada. <http://nhc-cpl.ca/wp-content/uploads/2016/07/NHC-Submission-Oct-2016.pdf>.

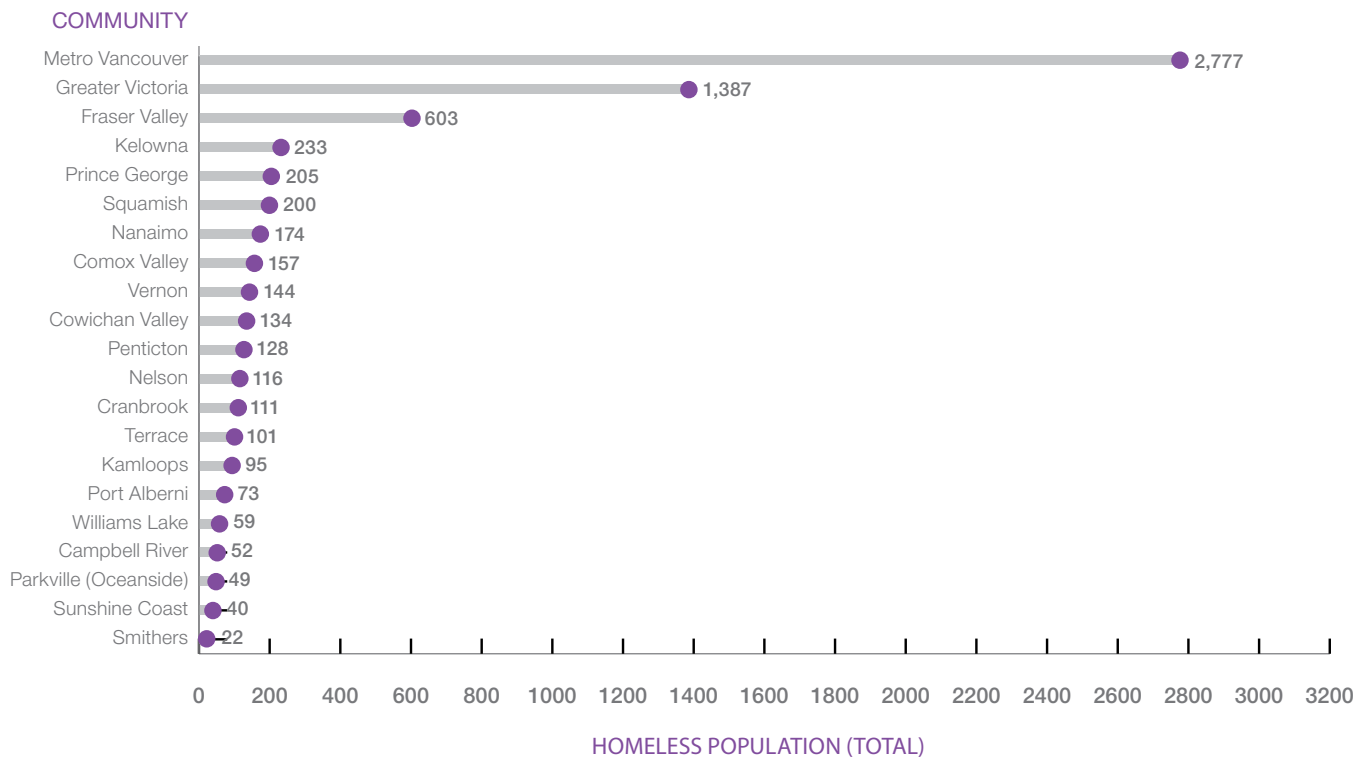
19 Incomes are based 2011 core housing need data. The Plan will be updated in 2018 with 2016 income data.



Figure 3 highlights the number of sheltered and unsheltered homeless individuals found in communities that have conducted Point-in-Time (PiT) counts, and homelessness data taken from secondary sources.²⁰ Research suggests that actual rates of homelessness are 3 – 4 times greater than what is captured through PiT counts and that they are a significant under-representation of the actual number of individuals who are homeless at any given point within a year.²¹ People who are more likely to be amongst the hidden homeless are women with and without children, youth, and Indigenous people.

Figure 3 – Numbers of street and sheltered homeless individuals in BC communities in recent point-in-time counts

Metro Vancouver and Greater Victoria have the largest homeless populations...



Homelessness is often perceived as a big-city problem, but in fact communities throughout the province are struggling to find adequate responses to its impacts. When the number of homeless individuals in considered with population size, homelessness has a disproportionate impact on smaller communities, as shown in Figure 4.

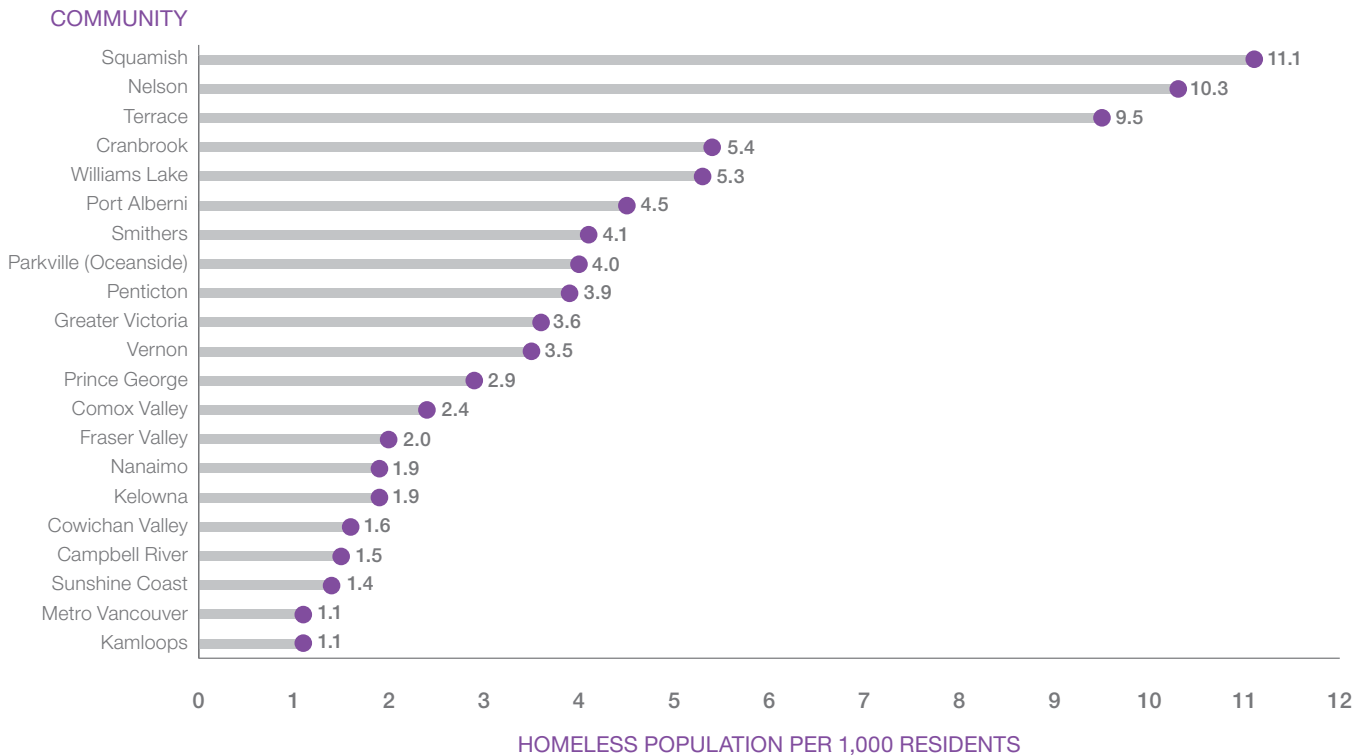
20 This includes council reports and newspaper articles. Cranbrook, Squamish, and Sunshine Coast enumerated this population with another methodology and represent estimates only.

21 Margaret Eberle, Deborah Kraus, & Luba Serge. 2009. Results of the pilot study to estimate the size of the hidden homeless population in Metro Vancouver. <http://www.homelesshub.ca/sites/default/files/4qoegog5.pdf>



Figure 4 – Homeless population per 1,000 residents

... but many smaller communities have more homeless per capita.



Fortunately, a stable and robust rental housing supply with healthy vacancy rates can go a long way toward ending homelessness. For many, homelessness is a one-time experience that is temporary in nature, resulting from a significant life event and/or a persistent lack of affordable housing options. Many of the individuals and families who become temporarily homeless at some point during the year drop in and out of core housing need. Here we assume that the rental housing supply and income supports that would be created through the implementation of the Plan would address the housing needs of these individuals and families.

For those individuals who are episodically and chronically homeless, the Affordable Housing Plan costs out a Housing First intervention based on a combination of supportive housing, scattered sites in the private market with supports, and social housing.²² It is known that 15 percent of the shelter population uses 50 percent of the shelter system's resources.²³ Given that each shelter bed costs in the range of \$2,000/month, prevention and rapid rehousing are much more cost-effective solutions to homelessness. Addressing homelessness through a combination of investments and systems coordination is the most cost-effective approach in the long-term.

22 There are a range of strategies that can be implemented through a Housing First approach. The approaches selected for the Plan were based on previous research and interviews with homelessness experts.

23 For the US experience see: Randall Kuhn and Dennis P. Culhane, "Applying Cluster Analysis to Test a Typology of Homelessness by Pattern of Shelter Utilization: Results from the Analysis of Administrative Data," *American Journal of Community Psychology* 26 (1998): 207-32. For evidence from Greater Victoria, see: Hannah Rabinovitch, Bernadette Pauly & Jinhui Zhao. 2016. Assessing emergency shelter patterns to inform community solutions to homelessness, *Housing Studies*, DOI: 10.1080/02673037.2016.1165801. Found at: <http://homelesshub.ca/sites/default/files/Assessing%20emergency%20shelter%20patterns%20to%20inform%20community%20solutions%20to%20homelessness.pdf>.



Recent PiT count data in western Canada suggests that 25% of the individuals found during the 24-hour snapshot were temporarily homeless, 7% were episodically homeless, and 68% were chronically homeless.²⁴ Applying to these figures additional research that breaks down the Housing First response type for episodically/chronically homeless individuals, Table 8 shows the average annual cost of dramatically reducing homelessness. It should be noted that these cost figures assume that the other components of the Affordable Housing Plan are pursued, creating more affordable supply and raising incomes.

Table 7 – Annual average cost for addressing homelessness over ten years, by partner (BC)

	Private Market with Supports* (millions)	Independent Social Housing** (millions)	Supportive Housing* (millions)	TOTAL (millions)
Provincial	\$4.5	\$13.2	\$18.3	\$36
Federal	\$4.5	\$13.2	\$18.3	\$36
Community Annual	N/A	\$9.5	N/A	\$9.5
Average Annual Cost by Type of Support	\$9.0	\$35.9	\$36.6	\$81.6

* Assumes 50/50 cost sharing with Federal government

** Assumes the Community Housing Sector cost shares 1/3 of capital costs



24 Homelessness Partnering Strategy. 2016. Highlights: 2016 Coordinated Point-in-Time count of homelessness in Canadian communities. <https://www.canada.ca/content/dam/canada/employment-social-development/programs/communities/homelessness/reports/highlights/PiT-Doc.pdf>.



2 Recommendations to overcome the affordable housing crisis in BC



A new approach to affordable housing delivery

Before outlining how targets in the Affordable Housing Plan can be met through policy, it is first important to establish an overall framework for how the Province can work in partnership with the Community Housing Sector and assist in leveraging existing assets. In order to understand where we need to go, we must first understand where we've been.

Historically, Federal and Provincial governments have been the main funders of non-profit and co-operative housing. In the decades following World War II, a wide array of federal and provincial programs eventually led to the creation of approximately 60,000 units of non-profit housing, and an additional 15,000 units of co-operative housing in BC alone. The development of the third sector in the the 1970s and 1980s was fueled by governments seeing non-profit, co-operative, and mission-driven organizations as effective vehicles to deliver high-quality, community-based affordable housing. Nowhere in the country has this sector thrived more than in BC, where approximately 90 percent of the province's social housing is delivered through these community-based sectors.

Unfortunately, common to all of these programs was a top-down, one-size-fits-all approach where senior levels of government tied funding to prescriptive operating agreements that limited the flexibility of non-profits and co-operatives to meet changing housing needs in their communities. In addition, the reliance on government as the sole source of funding for much of the affordable housing supply in BC meant that the sector was left vulnerable to government cutbacks, restrictive agreements, little equity in existing projects and a disaggregated asset base.

Considering past lessons, the new approach to deliver affordable housing must be based on models that are self-sustaining over the longterm, not wholly reliant on government, and that leverage the public investments of past generations by seeing an expanded Community Housing Sector as equal partners in development. In addition,



affordable housing policy needs flexibility so that rental housing projects can respond to the needs and desires of individual communities. There is significant opportunity to leverage private and institutional capital to create affordable housing, in a way that will develop “stable, predictable, and long-term solutions. Strategic policy and investment programs at the provincial level can help explore new funding mechanisms and ensure that affordability achieved through public investment is not eroded over time. Already significant innovations in co-operative and not-for-profit delivery models are breaking ground in BC, and finding mechanisms to scale-up these innovations is timely.

It should be emphasized that this approach does not mean that there is no longer a role for government in ensuring that citizens are safely and affordably housed. Government remains a critical partner in the development and retention of affordable housing, given that its financial resources are greater than the Community Housing Sector alone. The following sections provide recommendations for policies that should be implemented by the Provincial and Federal governments, as well as the Community Housing Sector.

To meet the measures set out in the Affordable Housing Plan, we provide recommendations around four strategies:

- 1 **Supply:** Expand and adequately maintain our affordable housing stock to alleviate system-wide affordability pressures.
- 2 **Income:** Reduce poverty and provide income supports to current renter households and people experiencing homelessness.
- 3 **Homelessness:** Create necessary supply, financial supports, and coordinated support services.
- 4 **Innovation:** Apply innovative solutions in partnership with the Community Housing Sector.

1 Supply: Expand and adequately maintain our affordable housing stock to alleviate system-wide affordability pressures

INVESTMENT TARGET:

Table 8 Annual average supply cost by partner (BC)

Partner	Average Annual Supply Investment (millions)
Provincial	\$410.61
Federal	\$410.61
Community	\$410.61
TOTAL ANNUAL AVERAGE COST	\$1.23B

RECOMMENDATION: Provide grant capital, forgivable loans, and land to meet the average annual supply investment.

Meeting the funding gap will require both old and new solutions. Traditionally, governments have provided grant capital, forgivable loans, and land at a no or low cost to ensure the building of affordable housing projects. Meeting the supply investments required will rely on government providing these traditional tools. For example, the \$200 million in land provided by the Federal government in Budget 2017 demonstrates how government contributions can



take many forms. Another example is the provincial Non-Profit Asset Transfer program, initiated in 2015, that saw the sale of provincially-owned land into the Community Housing Sector, which will have the ability to leverage that equity for new developments over time.

The Community Housing Sector also has resources to bring to the table. For instance, faith-based groups frequently have reserve land and a willingness to build affordable housing; non-profits and co-ops have the capacity to leverage existing assets; community financial institutions can provide grants and long-term patient capital with a reasonable return; and municipalities can bring municipal tools, such as property tax exemptions and inclusionary zoning, to help close the supply gap.

RECOMMENDATION: Support the development of a new, sector-led, co-investment fund that would meet the financing and equity needs of the Community Housing Sector.

To meet the targets set out in the Plan, new approaches that leverage public investment are necessary to finance and invest in affordable housing. This will require a new financial institution that is led by, and responds to, the needs of the Community Housing Sector. This institution could be the federal Co-investment Fund proposed in Federal Budget 2017, or a made-in-BC equivalent that would provide favourable financing and innovative equity instruments to the Community Housing Sector. This institution should leverage government investments with other sources of private and community capital so that public dollars are maximized.

One potential option for the Co-investment Fund is the Canada Housing Finance Authority (CHFA), a proposal developed by Housing Partnership Canada that would create a dedicated non-profit lending vehicle for affordable housing supply and repair. The Authority would act as an intermediary institution between housing providers and investors in the capital market. Given that mixed-income rental housing provides stable, reliable cash flow, the model would provide a return on investment for investors as well as low-interest, fixed sources of capital for affordable housing developers. In addition, the CHFA would be a dedicated institution for affordable housing at arm's length from the government, providing expertise in both affordable housing and financing. Similar financial institutions exist already in the UK and Austria, and have been experimented with in Canada under the First Nations Finance Authority and Toronto Community Housing Corporation.

RECOMMENDATION: Support the regeneration of the private purpose-built rental stock

Most of British Columbia's purpose-built rental stock was built between 1960 and 1980. As a result, many buildings are now approaching the end of their useful life and are falling into disrepair. If we are to meet the supply targets set out in the Plan, the number of homes available in the private rental housing sector must increase. This will require the redevelopment of existing properties given the lack of developable land in many communities across the province.

Municipalities can assist the effort to increase the supply of new rental homes through a range of measures, including amending municipal rate of change regulations to ensure that careful redevelopment can occur and that new rental supply is prioritized for permitting, approvals and rezoning.

We encourage the Provincial government to consider a range of measures to improve supply regeneration, including reducing fees on new rental construction and improving its tax treatment. The Province should also introduce relocation policies and increase access to the Renters Grant (discussed below) to protect for tenants from the the impacts of development.



SAVE OUR STOCK

INVESTMENT TARGET:

Table 9 – Annual average repair cost by partner for non-profit repair(BC)

Partner	Non-Profit Repair (millions)
Provincial	\$41.54
Federal	\$41.54
Community	\$41.54
TOTAL ANNUAL AVERAGE COST	\$124.63

RECOMMENDATION: Increase BC Housing’s Modernization and Improvement (M&I) budget

BC Housing’s M&I budget provides funds for capital maintenance of buildings. Deferred maintenance results in increased financial risk for non-profit housing providers through higher maintenance and repair costs, heightened health risks to tenants, and decreased building life. While repair need in the non-profit sector is an average \$125 million annually, BC Housing’s budget for these items is only \$10 to \$13 million annually. As such, the M&I component requires significant increases beyond the current budget.

RECOMMENDATION: Leverage capacity within the Community Housing Sector

In 2015, the Province recognized the capacity of the Community Housing Sector by developing the Non-Profit Asset Transfer Program, which saw the transfer of ownership of 350 parcels of land into the sector. This historic transfer helped to leverage the investments of past generations, and over time will give the sector the equity it needs to undertake major capital repairs and new development and redevelopment. Capital planning partnerships between the sector and government have assisted in developing the capacity of small and mid-sized non-profits to understand and carry out long-term asset management. Increasing the size and scale of non-profit organizations through approaches that still keep them attached to local communities is beginning to happen through amalgamations, asset transfers between non-profits, and the development of community land trusts. Further opportunities to develop scale continue to be pursued by Community Housing Sector organizations.

RECOMMENDATION: Expand carbon offset and other energy efficiency programs

Carbon offset and energy efficiency programs not only reduce greenhouse gas emissions, they help housing providers, tenants, and landlords save money and keep rents low. The province and Community Housing Sector should explore developing new rebate programs that would incentivize deep energy retrofits for items like windows and boilers. These deep energy retrofits could result in energy savings in the non-profit housing sector from 50 to 90 percent, which would translate into significant costs savings to fund other repairs.



2 Income: Reduce poverty and provide income supports to current renter households and people experiencing homelessness

INVESTMENT TARGET:

Table 10 – Annual average cost by partner for income support(BC)

Partner	Average annual income support (millions)
Provincial	\$203.06
Federal	\$203.06
Community	N/A
TOTAL ANNUAL AVERAGE COST	\$406.12

RECOMMENDATION: Develop a provincial Renters Grant

There are currently several rent assistance programs in BC but none is universally available or at a rate high enough to cover the affordability gap. The two main rent supplement programs in BC are the Shelter Aid for Elderly Renters (SAFER) program and the Rental Assistance Program (RAP) for low-income families with children. There is also provincial spending on the shelter rate for people on income assistance or disability, as well as the Homeless Prevention Program to assist people experiencing life transitions and the ILM rent supplement program for co-ops.

The Affordable Housing Plan recommends combining these rent support programs into a single Renters Grant and increasing its funding so that it would be available to all low-income co-op and renter households. This would replace a web of current programs and allow government to deliver effective support to those most in need by stabilizing them in their current housing, rather than building them new homes.²⁵ Likely, such a benefit would offer government administrative efficiencies that could be used to enhance the amount offered under current programs. This initiative could also be paired with the proposed federal portable housing benefit.²⁶

RECOMMENDATION: Develop a poverty reduction strategy

The measures put forward in the Affordable Housing Plan form a key component of a larger poverty reduction framework. Ensuring those who live in poverty have access to both safe and stable shelter, as well as sufficient income to purchase necessities, will help stabilize many lives. The Renters Grant may be one tool in closing the income gap, but poverty reduction can also be supported through other measures such as access to proven tenant education that removes barriers to accessing housing and increases stabilization once housed, increases to disability and welfare rates, increase to the minimum wage, access to child care and affordable internet, guaranteed annual income programs, or opportunities for advanced education for lower income groups.

RECOMMENDATION: Align housing with other policy areas, including health, justice, and child welfare.

Affordable housing is intimately linked with other areas of social policy, but is frequently treated in isolation from

25 In 2011, 73 percent of core housing need renter households had only an affordability problem. Applying this percentage to our 2016 core housing need estimates results in 117,000 households requiring assistance affording rent in their current unit.

26 Jordan Press, "Federal government looks at creating new housing benefit for low-income renters" Toronto Star, January 12th, 2017. Found at: <https://www.thestar.com/news/canada/2017/01/12/federal-government-looks-at-creating-new-housing-benefit-for-low-income-renters.html>



them. For instance, affordable housing is a key social determinant of health and investments in housing reduce health care costs. The average monthly cost of housing a person experiencing homelessness in a hospital bed is \$10,900, but only \$200 in affordable housing in the Community Housing Sector.²⁷ The same applies to the judicial system where the average monthly cost of housing person in a provincial jail is \$4,300. Breaking down silos and treating housing as a system interlinked with these policy areas will save costs and improve access for low-income individuals and households.

RECOMMENDATION: Ensure that all housing policy considers the needs of Indigenous people

Indigenous people are strongly affected by a history of colonization. Intergenerational trauma and persistent discrimination has resulted in disproportionately high rates of poverty and homelessness among the Indigenous population. The lack of adequate, affordable, and secure housing perpetuates these injustices. Indigenous people make up 4.3% of the Canadian population, but 59% of the homeless population in Terrace, 31% in Metro Vancouver, and 23% in Kelowna. Many indigenous individuals were in the care of the Ministry of Children and Family Development before they became homeless – and many more are known to be hidden homeless. The safety, affordability, and adequacy of on- and off-reserve housing are crucial to solving this problem and have to be integrated with policies in the field of child welfare, health, justice, and social assistance.

3 Homelessness: Create necessary supply, financial supports and coordinated support services

Table 11 – Ten year annual average homelessness investment target (BC)

Partner	Homelessness (millions)
Provincial	\$36.05
Federal	\$36.05
Community	\$9.05
TOTAL ANNUAL AVERAGE COST	\$81.6

RECOMMENDATION: Adopt a Housing First Approach to support the needs of chronic and episodically homeless people in BC

The Affordable Housing Plan emphasizes a Housing First approach to addressing homelessness, which aligns with current federal initiatives, and require better resourcing to make a substantive impact. Housing First can be implemented through a mix of supply and demand tools.

The key strategies are to build new housing, to make units available through rent supplements, and to provide the appropriate supports for those who require them – either in designated transitional and supportive housing units or in permanent rental housing. By making commitments to address need annually over a ten-year period, while simultaneously ending the rental housing crisis for other households, we will begin to gain ground on the homelessness epidemic rather than continuing to address its symptoms.

²⁷ Gaetz, Gulliver, & Richter. 2014. The State of Homelessness in Canada 2014.



RECOMMENDATION: Expand and further develop existing approaches of vulnerability assessments and coordinated access into the entire housing system in communities throughout BC

Ending homelessness in BC requires partnerships across a range of non-profit, government, private, and community agencies. Given that there are many pathways into homelessness, the pathways out require unique responses that are geared toward individual needs. A coordinated access system in local communities and regions directly addresses the current gaps in knowledge and service access, while minimizing service duplication that occurs from responsive but uncoordinated approaches.

Table 12 – Standard and coordinated systems to addressing homelessness

Standard system	Coordinated system
No coordinated outreach/access points	Fully coordinated outreach and access points
Each program has own assessment	One community-wide triage tool
No way of prioritizing clients or “first-come, first serve” prioritization	Community-wide prioritization protocol based on highest level of need, best fit, and the community’s other priorities
Each program keeps list of clients	One community-wide by-name list
Funders reinforcing a siloed system	Funders reinforcing a coordinated system
Program-centric view to address homelessness	Client- and system-centered view to end homelessness
Some programs use a Housing First approach	The entire system uses a Housing First approach
My clients/my resources	Our clients/our resources

The coordinated systems approach is gaining traction in BC communities, but current efforts will need to be scaled up over the coming years if we are to reduce homelessness. Implementing a systems approach will take concerted effort amongst all levels of governments and departments as well as the non-profit and homeless serving sector, with each needing to embrace the new model of coordinated response to homelessness.

4 Innovation: Apply innovative solutions in partnership with the Community Housing Sector

RECOMMENDATION: Pursue sector partnerships and asset aggregation

Many assets in the Community Housing Sector are dispersed over a thousand non-profit and co-op housing providers. This diversity can allow for excellent community connection, but also prevent the application of a portfolio approach to addressing housing need through cross-project subsidies on capital and operating costs, and impair capacity building within organizations. By incentivizing partnerships between organizations, non-profits with more assets and capacity can help those who need it. This may take the form of collaborating to serve a larger array of population types, aiding in merging organizations, or using tools such as community land trusts to build new housing and protect the affordability of our current stock over the long-term.



RECOMMENDATION: Expand shared equity home ownership

The Affordable Housing Plan does not recommend that government create any programs that further increase the cost of ownership housing or allow for more individual borrowing. Instead, we recommend creating a bridge to home ownership by expanding shared or partial home ownership in BC. By producing new housing units for purchase that remain in the Community Housing Sector through non-profits, municipalities, and land trusts we can create “speculation-free zones” that generate housing for purchase that remains affordable over the long term, and returns some of the increases in land value over time back into the Community Housing Sector so that it can be leveraged for additional development opportunities.

Several small communities across the province have implemented programs that control unit resale prices, with the most notable example being the community of Whistler. All of these programs seek to maintain below-market unit prices in areas that have high ownership costs, and seek to benefit groups like those employed locally or living in the community with limited incomes.

Long-term affordability for eligible buyers is ensured by controlling the appreciation of the land value and pricing units in relation to their building value. To achieve this, a covenant is placed on title, which enables, but limits, financial gains to the seller in order to keep the unit affordable in perpetuity and to pass on the financial benefits enjoyed by the original buyer.

A noteworthy example of a working shared equity program is the Champlain Housing Trust (CHT) in Vermont. The CHT combines affordable homeownership with a mechanism that re-invests land value gains back into the affordable housing sector when a unit is sold. At Champlain, 100 percent of the mortgage paid by the homeowner, and 100 percent of the capital improvements they make, go back to the resident when they sell the property. However, if there is an increase in value of the underlying land, the resident receives only 25 percent of those gains while the trust receives 75 percent to re-invest into new affordable housing. This shared-equity approach allows for the housing development to remain viable and make re-investments over time, but it also helps the initial homeowner to build equity and eventually seek out full ownership in the private market.

RECOMMENDATION: Integrate land use planning and transportation funding

Transportation is the second highest consumption expenditure for the average household in BC. Housing affordability and transportation, however, are frequently not seen in connection to one another. When affordable housing is located far from centres of work and recreation, it requires car use, which is expensive both financially and environmentally. Research has demonstrated that renters are more likely than homeowners to use public transportation, so ensuring that affordable housing is located near rapid bus or transit lines is an important component of reducing household costs and increasing affordability. Not only does this benefit people and the environment, ensuring renter households reside near transit lines helps drive transit ridership.

To facilitate more integrated planning, housing and transportation must be linked through policy. More effort is required to develop regional coordination among government agencies and community stakeholders to ensure that Transit-Oriented Development also promotes equity. In the United States, the Sustainable Communities Initiative provided capital grants to local planning bodies to facilitate more regional cooperation. The Provincial and Federal government should develop similar programs to bring diverse regional partners to the table to ensure that transit and affordable housing are planned together.

The Province should also explore attaching conditionality to transit investments so that land use surrounding transit areas is coordinated with desired affordable housing goals. Such conditionality would ensure that transit areas are zoned with appropriate density and inclusionary housing targets.



Conclusion

The Affordable Housing Plan provides a ten-year roadmap to significantly reduce affordable housing challenges in communities across British Columbia. There is real opportunity to ensure that future infrastructure and supports will benefit individuals and families of all incomes and backgrounds, and will be responsive to local needs. Ensuring strong investment partnerships for a thriving affordable housing sector is not only the right thing to do for British Columbians, it will also save costs and provide major economic stimulus to the BC economy.

The figures laid out in the Affordable Housing Plan are conservative estimates of the required investments to begin to solve our affordable housing crisis in BC. They require a bold vision, but they are achievable. In fact, the \$1.8 billion required annually is not dissimilar from the investments made over the past two years provincially and federally. Turning these historic investments into annual investments would go a long way to ensuring that all British Columbians have a secure place to call home. Demonstrating commitments to a plan that sees a home for everyone will help us avoid the mistakes of the past 25 years that de-valued the role we all play in the provision of affordable housing.

The impact of the affordable housing crisis has now affected the housing decisions of the majority of British Columbians in some shape or form, and bold actions are required to right the ship. But it is not the job of government alone to set us on a new course. The Affordable Housing Plan sees the Community Housing Sector, comprising a range of local partners who have a stake in building a long-term supply of permanent affordable housing, as an equal partner in the implementation of this Plan. There is a strong willingness on the part of non-profit and co-operative housing providers, municipalities, faith-based groups, charities, service groups, cause-driven private sector organizations, and donors to tackle the affordability crisis in BC. By partnering with government in developing solutions, we can ensure that the growing numbers of British Columbians whose needs are not met by market, are affordably and securely housed. The recommendations outlined in this report will move our province down that path by leveraging the investments made by past generations.

Now is the time to make housing central.

