

From: ["Mochrie, Paul" <Paul.Mochrie@vancouver.ca>](mailto:Paul.Mochrie@vancouver.ca)  
To: ["Direct to Mayor and Council - DL"](#)  
Date: 6/28/2022 11:48:46 AM  
Subject: [Using the Capital Plan to Help Reach Housing Affordability Targets - RTS 15127](#)  
Attachments: ACCS - GM - Memo (Council) - Using the Capital Plan to Help Reach Housing Affordability - RTS 15127 (2022-06-28).pdf

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Dear Mayor and Council,

Attached is a non-confidential version of the memo you recently received on Using the Capital Plan to Help Reach Housing Affordability Targets (RTS 15127). This memo addresses the same subject, but does not include any confidential information and can be shared publicly.

Best,  
Paul

**Paul Mochrie** (he/him)  
City Manager  
City of Vancouver  
[paul.mochrie@vancouver.ca](mailto:paul.mochrie@vancouver.ca)



The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm (Musqueam), Skwxwú7mesh (Squamish), and səlilwətał (Tsleil-Waututh) Nations.

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Dear Mayor and Council,

Please find attached a memo from the General Manager of ACCS Sandra Singh that provides an update on using the Capital Plan to help reach Housing Affordability Targets (RTS 15127). Key points include:

- At the end of 2021, approval of 4,872 social/supportive homes are required to reach the Housing Vancouver Strategy target of 12,000 units by 2028.
- Based on staff capacity analysis across the various social housing delivery streams, there is capacity to seek Council approval for over 6,500 units of social and supportive housing by 2028.
- While there is capacity to meet and exceed the Housing Vancouver Target by over 1,600 units, it is expected that through the Housing Vancouver Targets Refresh work underway, the estimated acquisition requirement will increase and the delivery of new housing post 2028 must also be planned for.
- The 2023-2026 Capital Plan includes \$122M for acquisition to enable ~800 new social/supportive homes, much of which will be deployed and reach approval post 2028 and is beyond the current Housing Vancouver social/supportive housing target timeframe.
- Over recent years, staff have observed unprecedented escalation in land, construction and operating costs coupled with stagnant wage growth.
- As a result, the cost to deliver a viable social housing project has become more challenging and the City's land contributions coupled with a low cost loan no longer result in a viable social housing project, let alone enhance affordability to meet the City's affordability targets.
- Given the City's limited financial capacity, increase in funding for housing requires significant trade-off and reprioritization from the City's core services.
- Leasing City sites at nominal value is only part of the solution to enable a viable social/supportive housing project.
- To achieve deeper affordability, and in light of the current economic climate, greater capital and

operating subsidies from senior government per home and a concerted effort to address rising development and operating costs are needed to deliver greater affordability targeted to lower income households

If you have any questions, please email Sandra directly and she will work with her staff and colleagues from other departments to answer questions in advance of this week's Council meeting if needed and feasible or through the weekly Q&A.

Best,  
Paul

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**MEMORANDUM**

June 28, 2022

TO: Mayor & Council

CC: Paul Mochrie, City Manager  
Karen Levitt, Deputy City Manager  
Armin Amrolia, Deputy City Manager  
Lynda Graves, Administration Services Manager, City Manager's Office  
Maria Pontikis, Director, Civic Engagement and Communications  
Katrina Leckovic, City Clerk  
Anita Zaenker, Chief of Staff, Mayor's Office  
Neil Monckton, Chief of Staff, Mayor's Office  
Alvin Singh, Communications Director, Mayor's Office  
Patrice Impey, General Manager, Finance, Risk & Supply Chain Management,  
Chief Financial Officer  
Theresa O'Donnell, General Manager/Director of Planning, Planning, Urban  
Design & Sustainability

FROM: Sandra Singh, General Manager, Arts, Culture and Community Services

SUBJECT: Report Back on Member Motion - Using the Capital Plan to Help Reach Housing  
Affordability Targets

RTS #: 15127

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**PURPOSE**

The purpose of this memo is to report back on the motion referred to the Standing Committee on City Finance and Services meeting on March 30, 2022 directing staff to report back in time for Capital Budget deliberations on what amount of money is needed in the capital budget to acquire enough land to meet our housing affordability targets, taking into consideration existing city land that is or could be used for social housing.

**BACKGROUND**

Background and Progress on Housing Vancouver Strategy and Targets

Approved in 2017, Housing Vancouver is a 10-year housing strategy for the City of Vancouver that aims to support diversity, community vibrancy, and economic resilience in the city by

ensuring that Vancouverites have access to secure, adequate, and affordable housing. The strategy is based on three core principles: shift the city’s housing development pipeline toward the ‘right supply’ while taking steps to address speculative demand; protect and retain the existing rental stock; and ensure support for the city’s most marginalized residents and disproportionately impacted communities.

Housing Vancouver includes a target of 72,000 homes over 10 years to support of the objective of shifting housing production toward the ‘right supply’ of secured rental and non-market housing and diverse ground-oriented ownership options. Embedded in the Housing Vancouver Strategy target of 72,000 homes is a target of 12,000 social, supportive and non-profit co-operative housing units. The social and supportive housing target includes homes for people struggling with homelessness, and vulnerable SRO (Single Room Occupancy) tenants currently living in inadequate housing and requiring supports.

The following table summarizes the progress towards the Housing Vancouver Strategy target of 12,000 social, supportive and non-profit co-operative housing units since 2017.

Measure	2017	2018	2019	2020	2021
Approvals in the year	1,702	2,018	738	1,326	1,344
Approvals of City owned sites (as a subset of above)	575	792	587	98	309
Cumulative Total Approvals	1,702	3,720	4,169	5,784	7,128
% of 12,000 unit Target	15%	31%	35%	46%	59%

Progress Toward Housing Vancouver Social, Supportive and Non-profit Co-operative Housing Targets By Income Bands (2017-2021)

Housing Vancouver also set affordability targets based on incomes with approximately 50% of units targeted as secured rental and non-market housing for households earning less than \$80,000/year. While the City has achieved a major milestone in shifting approvals toward the ‘right supply,’ with purpose-built rental and social housing making up over half of all new approvals for the second year in a row, more needs to be done to create housing affordable to incomes below \$30K. The chart below illustrates the affordability by income band of social/supportive housing approved. Only 23% of units approved since 2017 have been affordable to incomes <\$30K; these units at deeper levels of affordability cannot be achieved without additional contributions from all partners, including senior governments, non-profit partners, and the City, through land-use regulations and land contributions.



## Housing Needs Assessment

- A Housing Needs Assessment was reported to Council on April 27<sup>th</sup>, 2022. The report found that approximately 86,000 households in Vancouver are experiencing housing need due to unaffordable, unsuitable, or inadequate housing, as reported in 2016 Census data, including approximately 2,000 individuals experiencing homelessness and 7,000 people living in Single-Room Occupancy (SRO) hotels.
- There is also a projection of approximately 50,000 net new households (~85,000 people) resulting from growth and development in Vancouver over 10 years. Housing affordability pressures impact many households, but fall disproportionately on equity-denied groups, including residents who are from Indigenous and racialized communities, seniors, people with disabilities, single-parent households, and 2S/LGBTQIA+ facing increased risk of housing insecurity, displacement, and homelessness.

An updated Housing Needs Report will be brought forward to Council in 2023 following the release of 2021 Census data.

## **DISCUSSION**

### Capacity to deliver new social and supportive housing

At the end of 2021, approval of 4,872 social/supportive homes (or 41% of the target) are required to reach the Housing Vancouver Strategy target of 12,000 units by 2028. These social/supportive homes are primarily delivered through the following three delivery streams:

1. **Non-Profit Led Projects** – social/supportive housing delivered by non-profits on their sites or sites secured from other third parties
2. **Inclusionary Housing** – social housing secured by the City from private developers that are constructed turn-key as part of a larger development project
3. **Housing enabled on City Sites** - social/supportive housing enabled by the City through long term leases to non-profit delivery partners or senior government

It is estimated that 3,550 social/supportive homes (or 30% of the Housing Vancouver Strategy target) are anticipated for approval from 2022 to the end of 2028 related to the Non-Profit Led Projects and Inclusionary Housing delivery streams.

Inclusionary housing will be delivered turn-key, and do not require the City to acquire sites, or any senior government funding in order to proceed, but as they are closely tied to the market, they are impacted by shifts in the market, as was recently experienced with a noticeable slowdown during COVID.

Staff have completed a capacity assessment of the existing Vancouver Affordable Housing Endowment Fund (VAHEF) portfolio to support achieving the Housing Vancouver social/supportive housing target. This capacity assessment will also serve to best position the City's non-market housing assets towards the needs identified in the recent Housing Needs Assessment report, and inform the Housing Vancouver Target Refresh. An estimated 3,000 net new homes on City land within the VAHEF portfolio could be brought forward for approval by

2028, exceeding the remaining Housing Vancouver Strategy target, as well as additional homes post 2028.

The capacity of the VAHEF portfolio consists primarily of three categories.

1. **Land under development not yet approved** – land owned by the City that is actively being planned for development of social/supportive housing but not yet approved
2. **Inclusionary dirt sites/option sites** – undeveloped land anticipated to be secured through inclusionary zoning policies and option agreements with private developers to be deployed by the City for social/supportive housing
3. **Redevelopment of existing housing sites** - land owned by the City currently developed with existing social/supportive housing with potential to deliver significantly more housing if redeveloped

A number of sites that form part of the 3,000 units have some level of funding commitment from senior government through programs like the Permanent Modular Supportive Housing Initiative or through individual Community Housing Fund or Co-Investment funding applications. While it is possible to bring these projects forward for Council approval, seeing all of these projects through to construction start will require further funding commitments from senior government. Staff are actively pursuing these conversations with our partners.

Based on staff analysis across all three delivery streams, there is capacity to seek Council approval for over 6,550 units of social and supportive housing by 2028.

*Summary of land capacity across all three delivery streams (2022-2028)*

<b>Total Estimated Capacity 2022-2028</b>	<b>6,550</b>
<b>Remaining Social/Supportive Housing Target (as of Dec 31/21)</b>	<b>4,872</b>
<b>Estimated unit potential exceeding 12,000 unit target</b>	<b>1,678</b>

In addition to the delivery streams noted above, new initiatives are forming which may further contribute to enabling new social/supportive housing in Vancouver. Most notably, on April 5, 2022, the BC Government introduced changes to the Transportation Act that will allow the Province, through the BC Transportation Financing Authority, to acquire land for the purpose of building housing and community amenities to serve people near transit stations and bus exchanges. It received royal assent on June 2, 2022, which is reflected in the Act. These amendments will give the BC Transportation Financing Authority the ability to acquire and improve land to support the development of housing and amenities near any stations or exchanges built as part of the public transit system. The Province currently is only limited to purchase land for transportation projects and lacks the ability to acquire additional property to facilitate transit-related developments. These changes will allow housing to be built in mixed-use developments, along with child care centres, shops and commercial services, schools and health-care centres, educational facilities, public gathering spaces and recreation centres.

Housing Needs Assessment and Housing Target Refresh may change acquisition requirement

Staff have received direction from Council to re-refresh the current Housing Vancouver targets. The new Provincial Housing Needs Report requirement also creates an opportunity for Vancouver to re-evaluate current and new housing targets against the housing needs identified



in Vancouver’s Housing Needs Report, received by Council on April 27, 2022. In response to Council direction and the new Provincial Housing Needs Report requirement, Staff have developed three concepts for new housing targets, which will be the basis of dialogue and consultation with stakeholders and the public in coming months. These concepts will be updated based on 2021 Census data as it is released through 2022. In addition, Staff will seek public and expert comments on these concepts and evaluate them based on their responsiveness to housing needs, financial feasibility, and balance with other City priorities.

While there is capacity to meet and exceed the Housing Vancouver Target, it is expected that through the Housing Vancouver Targets Refresh work underway, the estimated acquisition requirement will increase and the delivery of new housing post 2028 must also be planned for. Staff plan to provide finalized housing targets to Council in 2023 along with an updated 3-year Housing Vancouver Action Plan. The VAHEF capacity analysis work will be refreshed at this time to look at alignment with any new Housing Vancouver targets set.

2023-2026 Capital Plan Land Acquisition Budget

As the City advances its existing assets to construction with non-profit delivery partners and senior government funders, the City’s undeveloped real estate holdings suitable for non-market housing will be nearly exhausted. To address the anticipated increase in the Housing Vancouver Target and housing need post 2028, greater reliance on new acquisitions is needed to compliment new supply from inclusionary dirt sites/option sites and continued redevelopment of existing sites with underutilized density. Strategic acquisitions may enhance development potential of an existing City site, create capacity in neighbourhoods where inclusionary dirt sites or existing sites are scarce, and better utilize new senior government funding programs.

The 2023-2026 Capital Plan includes \$122M for acquisition to enable new social/supportive housing, much of which will be deployed and reach approval post 2028. Assuming a land cost of \$150,000 per home, the draft budget could enable ~800 new social/supportive homes, depending on site location and future changes in market values during 2023-2026.

2023-2026 Capital Plan Land Acquisition Budget	\$122M
Estimated land cost per unit	\$150,000
<b>Estimated new homes enabled</b>	<b>~800 homes</b>

This potential new supply enabled through acquisition exceeds historical acquisition levels but is needed to keep pace with the growing need/anticipated housing target increase and offset the diminishing availability of suitable sites within the City’s existing real estate portfolios. If the City relied solely on land acquisitions to enable new supply, the funding requirement would be significant. Given the City’s limited financial capacity, increase in funding for housing requires significant trade-off and reprioritization from the City’s core services.

Provision of sites is only part of the equation to deliver new social/supportive housing and meet our affordability targets

The economics of social/supportive housing projects has changed significantly since the 2019-2022 Capital Plan. Merely 5-7 years ago, land costs associated with the acquisition of a new site for non-market housing would cost ~\$75,000-\$100,000/home. Additionally, the City and non-profits developing on their own sites could move a project forward to construction with a

nominal land lease and a low-cost senior government loan and deliver a project that met the base definition of social housing (i.e. 30% HILs, 70% low-end of market); senior government funds could then be directed to enhancing affordability so the housing created is affordable for households with incomes below the Housing Income Limits or at income assistance rates as well as provide supports.

Over recent years, staff have observed unprecedented escalation in land, construction and operating costs coupled with stagnant wage growth. This is compounded by greater fiscal pressures on senior levels of government as significant funds have been directed to respond to the 2021/2022 global COVID pandemic and the ensuing inflation/interest rate rises. As a result, the cost to deliver a viable social housing project has become more challenging and the City's land contributions coupled with a low cost loan no longer result in a viable social housing project, let alone enhance affordability to meet the City's affordability targets. Now, more senior government funding (non-repayable) is required to meet the base social housing definition (~\$100,000-\$200,000/home excluding land costs) and significantly more capital and operating funding is required to deliver shelter rate and rents affordable to low income households and those on income assistance (~ an additional \$100,000-\$300,000 for each deeply affordable unit). These effects have made senior government funding and operating subsidies scarcer until their funding program parameters are adjusted.

Land costs make up a large portion of the overall project development cost, but leasing City sites at nominal value is only part of the solution to enable a viable social/supportive housing project and deliver on the City's affordability targets. In addition to advocating for greater per unit contributions in major urban areas from senior government, to close the equity gap and enable viable social housing projects in Vancouver and to provide deeper levels of affordability (e.g. targeting households with incomes below \$80K), a concerted effort is needed to address the key drivers contributing to rising development and operating costs, otherwise the City risks committing significant funding towards land acquisition without adequate senior government funding to start construction. Notable opportunities to impact these cost drivers include:

- 1) **Utilizing scaled up service providers to curb rapidly escalating operating costs** – The non-profit housing sector is very diverse and decentralized; this is evidenced by the City's 100+ different partnerships with non-profit delivery partners across the VAHEF portfolio. The operating costs of these partners range significantly based on the non-profit's experience and portfolio size. Economies of scale are needed to cost effectively operate these spaces and the City is exploring partnership models with operators with the appropriate scale and cost efficiency to be used across the City's portfolio
- 2) **Avoiding costly development management fees** – Third party development management fees can range from 1-4% of project costs. With the City's in-house development management resources, the City can manage more of the upfront pre-development and development process, reducing the impact on project viability.
- 3) **Greater focus on building and design efficiencies to optimize site density** – Building efficiency translates into more rentable and operationally efficient spaces along with higher unit yield for a project, which all translates into lower per units costs and a more viable project. Oversight of our non-profit delivery partner's design as it progress through each stage of development is necessary to ensure City sites are being optimized in this way.



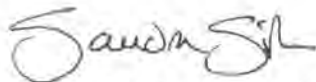
- 4) **Accessing low-cost patient equity** – to fill the remaining equity gap on a project and supplement scarce senior government funding, greater access to low cost and patient equity investment is needed. Institutional lenders have strict financing requirements and debt coverage ratios that need to be met. Shorter term equity investors have high return expectations, making it difficult to create a viable project. The City is exploring partnership models to attract long term and low cost equity investment to fill the equity gap when senior government funding is lacking or not available.

## FINAL REMARKS

With the City's current portfolio of housing sites, staff is confident there is capacity to meet and exceed the Housing Vancouver social/supportive housing target. The Housing Vancouver Targets Refresh work underway will set new 10 year housing targets, with additional new housing to be delivered post 2028. This work will be integrated into the City's mid to long-term capital and financial plan (e.g. 10 year Capital Strategic Outlook).

The 2023-2026 Capital Plan includes \$122M for acquisition to enable ~800 new social/supportive homes, much of which will be deployed and reach approval post 2028 and is beyond the current Housing Vancouver social/supportive housing target timeframe. Leasing City sites at nominal value is only part of the solution to enable a viable social/supportive housing project. To achieve deeper affordability, and in light of the current economic climate, greater capital and operating subsidies from senior government per home and a concerted effort to address rising development and operating costs are needed to deliver greater affordability targeted to lower income households.

If Council has any further questions or needs additional information, please feel free to contact Sandra Singh directly at [sandra.singh@vancouver.ca](mailto:sandra.singh@vancouver.ca) and we will provide response through the weekly Council Q&A.



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