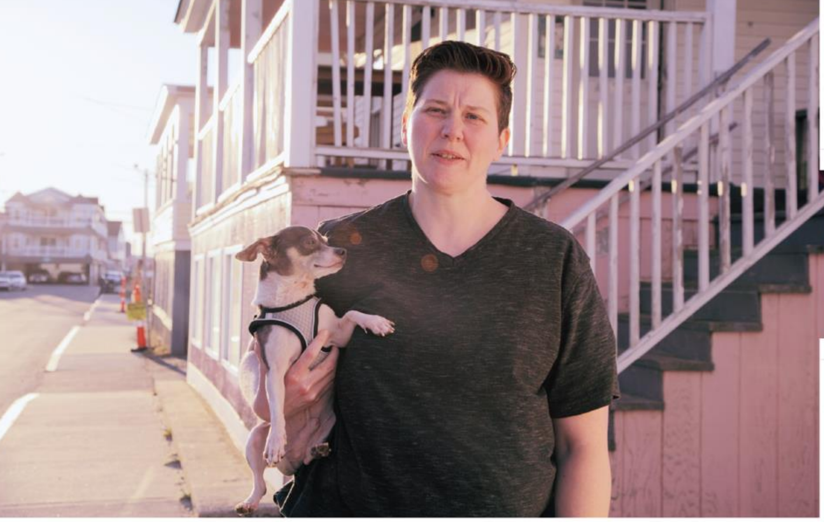
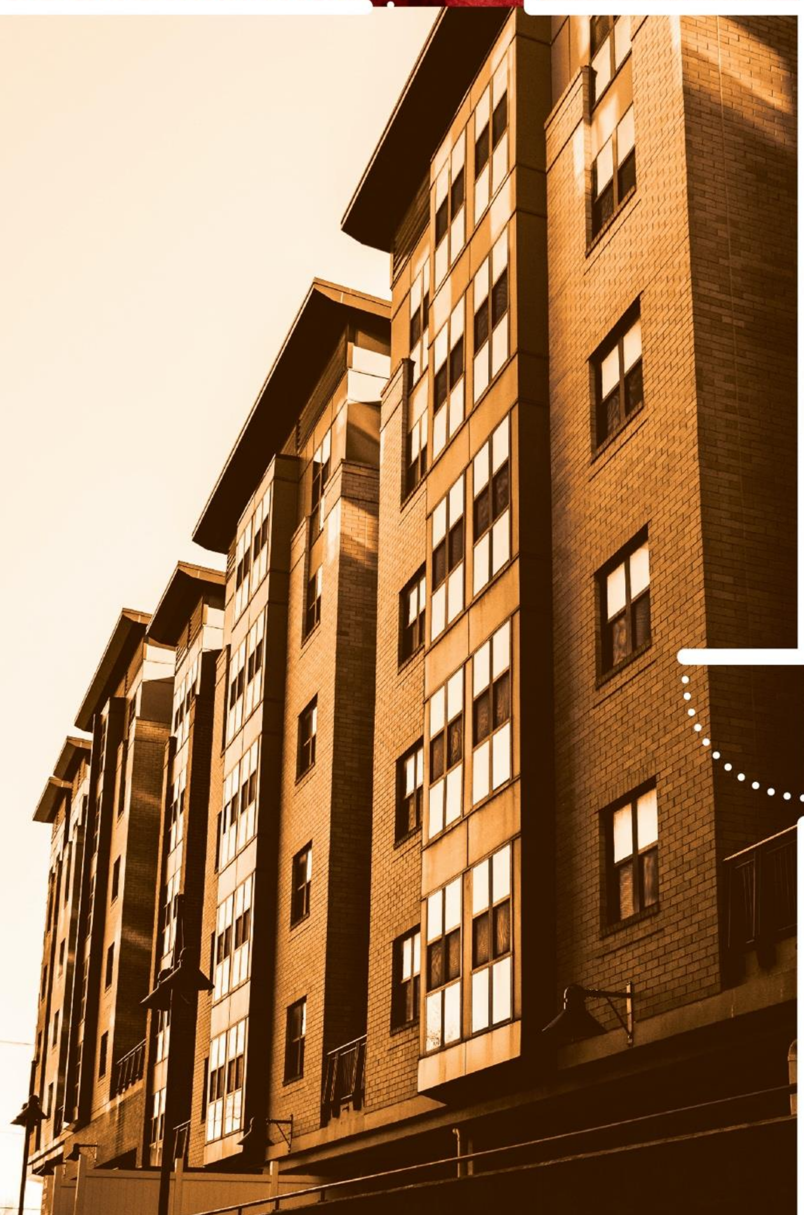



City of Vancouver

AFFORDABLE HOMEOWNERSHIP STUDY

May 2022 - CitySpaces Consulting

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Executive Summary

The rising cost of home ownership in Vancouver is well documented. Analysis by City staff reveals that a renter couple household without kids in Vancouver earning the median income of $82,802[1] would need a down-payment of $892,000 to qualify for a townhouse, or $428,000 for a condominium apartment[2]. In response to rising housing costs and affordability pressures, the City of Vancouver approved the *Housing Vancouver* Strategy in 2017. One of the proposed actions in *Housing Vancouver* is to create and support opportunities for home ownership that are affordable to entry-level buyers, such as affordable home ownership (AHO) policies and programs.

While one-off AHO projects have been approved in Vancouver in recent years, new legislation as of 2019 grants the City the authority to secure discounted sales prices through housing agreements. With such enabling direction, CitySpaces Consulting was engaged to undertake this case study research to inform the next steps towards affordable home ownership in Vancouver. The four primary case studies examined are summarized in Table 2 on page 6.

Key Findings

- **The gap between what is affordable and what is available is growing.** Many Vancouverites are priced out of home ownership and have limited housing options that meet their needs. Additional supply can help to address some of these concerns, providing additional housing choice and allowing for greater mobility across the housing system.
- **Non-owners want to own but can't afford costs of home ownership.** Home ownership is appealing to many non-owner households in Vancouver, primarily because of the ability to build equity and security of tenure.
- **Non-owners prioritize design and location over typology.** Participants focused on livability features common with single detached housing such as outdoor space, privacy, and natural light, but there was also a strong desire to remain in Vancouver, especially within their particular neighbourhood.
- **Affordable home ownership programs target middle-income households.** Most affordable home ownership programs target households earning just below or slightly above median income. Targeting lower income households is possible but challenging. In the Vancouver

[1] Median household income for a couple with no children in a non-subsidized rented home, Census 2016
[2] Based on February 2022 MLS HPI benchmark price as reported by the Real Estate Board of Greater Vancouver, and considering monthly housing costs at a maximum of 30% of before-tax income. Monthly housing costs include mortgage payments (based on 25-year amortization at the qualifying rate of 5.25%), strata fees, utilities, and property taxes.

context, it is possible only higher income single person households will be able to access an affordable home ownership program. Table 1 provides an example of the income thresholds and maximum purchase price that would be affordable for a couple household with two children in Vancouver:

Table 1: Purchase Price Potential for Vancouver Two-Person, Two Children Household (Before-Tax Area Median Income, 2019)

Target Income Threshold	Median Household Before-Tax Income	Maximum Purchase Price[3]
60% of Area Median Income	$82,440	$310,655
80% of Area Median Income	$109,920	$429,945
100% of Area Median Income	$137,400	$549,230
120% of Area Median Income	$164,880	$684,500

- **Affordable home ownership programs depend on incentives.** To provide housing at below market prices, incentives are required. Incentives can include density bonusing, fee waivers, expedited permitting, pre-zoning, and other mechanisms to reduce project costs.
- **There is desire for a clear and flexible policy and regulatory framework.** Standardized and simplified processes and regulations would facilitate the "right" density development with embedded affordability.
- **AHO programs should add to, rather than replace, existing supply programs.** Affordable home ownership programs can contribute new supply, adding more units overall, while also increasing the number of eligible households to purchase them. It is vital to increase the amount of supply relative to demand if housing system level affordability improvements are to be achieved.
- **Affordable home ownership programs require administrative capacity.** Affordable home ownership is complex, typically involving income testing, waitlists, possible legal mechanisms such as restrictive covenants, homebuyer education programs and financial literacy training.

[3] Maximum purchase price is based on qualifying for the current stress test rate (5.25%) with a 25-year amortization and no more than a 32% gross debt service ratio. The lowest possible down payment is assumed (5%). When purchase prices surpass $500,000, minimum down payment requirements increase (the minimum down payment for the maximum purchase price affordable to a household with 100% of AMI is 5.5% and for 120% of AMI is 6.4%). Maintenance/strata fees ($200/month), heating ($90/month), and property taxes (based on the 2021 mill rate) are also considered in the qualification calculations.

- **Successful affordable home ownership models are long-term policy exercises.** Many of the effective and productive affordable home ownership programs have been in operation for more than 20 years. To develop sufficient administrative capacity, economies of scale, standardized processes, and possible self-sustaining funding mechanisms, a sufficient time frame is needed.
- **No one-size fits all approach to affordable home ownership exists.** Affordable home ownership takes many different forms, depending on local context and policy priorities. Given that each approach has benefits and trade-offs, a combination of approaches could accomplish more comprehensive outcomes than one affordable home ownership program.

Affordable Home Ownership Trade-offs

- **In AHO programs, there are typically two central, often competing, priorities – maintaining long-term unit affordability and building household wealth.** Programs that create affordable units in perpetuity provide strong security of tenure. It can also be challenging for households in secured AHO units to afford a market unit when they sell their secured AHO unit, particularly in high-cost markets like Vancouver. Programs that provide “one-off” affordability result in greater household wealth building as AHO units are sold on the open market, which can allow for households to access market housing when they sell their AHO unit. The mechanisms used to provide a discount to market can impact what level of effort is needed to continually provide new AHO units. Certain programs can become self-sustaining over time, depending on their financial structure.
- **Operationally intensive AHO programs provide more control to City administrators but require internal capacity to operate.** More control results in higher costs and less risk. When the City is directly involved in the management of an AHO program, they can help to shape who is eligible for housing and at what affordability levels. This requires substantial internal capacity. Programs that rely on third party operators, such as non-profits or land trusts, are less operationally intensive for City staff, but also result in less control over program parameters.
- **Cities have limited incentives at their disposal.** If incentives are used to secure affordable home ownership units, those same incentives are not available to support other City priorities. Many AHO programs rely on inclusionary housing and additional density is a limited resource. In Vancouver, density bonusing is the primary tool used to secure rental and social housing in higher-density contexts. Density bonusing is not widely applied in the City’s lower density neighbourhoods, which may be an opportunity for a potential AHO program.

Affordable Home Ownership in Vancouver

By exploring different avenues to affordable home ownership, the City may be able to achieve a variety of policy objectives. Given the resources involved in establishing a scaled program and the lack of staff capacity, it is recommended the City pursue partnership-led approaches, as further outlined below.

- **Market approach.** Through pre-zoning, additional density can be permitted as-of-right across the City's neighbourhoods, with a requirement to provide a proportion of the additional units for middle-income households. These units would be secured with a legal covenant to ensure affordability in perpetuity. This pathway opens a new submarket of supply and creates additional choice for where people can live in the city. While AHO can work in many forms and neighbourhoods, there is an added opportunity to provide more housing in the City's detached neighbourhoods. It is recommended the City initially explore AHO in its low density neighbourhoods, given there is relatively less trade-off needed with other housing priorities in such contexts. Given City staff do not have capacity to administer such a program, partnerships should be explored to determine how this may be feasible.
- **Non-Market approach.** Non-profits are strategically positioned to operate affordable housing held in perpetuity given their organizational mandates. Most non-profit housing providers focus on rental and social housing, yet recent initiatives demonstrate innovative approaches non-profits have explored to provide affordable home ownership opportunities. A non-profit or community land trust pathway could allow for specific population groups to be targeted, through a mixed tenure approach with potentially deeper levels of affordability to be pursued.
- **Prioritize pre-zoning and standardized rezoning processes.** There is a need to create an enabling policy and regulatory framework for AHO and support priority affordable housing developments through the application process in Vancouver. Improved clarity creates greater project certainty, which helps to reduce costs. In a clear policy framework, flexibility is also necessary to ensure projects can adjust to fit distinct contexts.

Next Steps + Considerations

- **Confirm direction to support affordable home ownership initiatives.** Confirm that affordable home ownership is a priority and a critical component of the housing continuum that is to be supported. Determine if policy should be explored to support a Vancouver program alongside other housing priorities.

- **Review options to a partnership-based approach to affordable home ownership.** Affordable home ownership programs require substantial administrative capacity to operate. Such programs must be actively managed to ensure eligible owners are income-tested, legal agreements are respected, and waitlists are monitored. As City staff do not have capacity to implement an in-house program, it is recommended the City explore partnership-based approaches to affordable home ownership.
- **Explore pre-zoning with embedded affordability requirements.** Affordable home ownership programs that expand the diversity of options available to middle-income households can make a substantive impact on the housing market. Pre-zoning would allow for additional density in Vancouver's neighbourhoods, creating a more equitable housing system with greater choice.
- **Consider launching a city-wide housing dialogue.** There is an opportunity to host a city-wide dialogue on housing form to explore how Vancouverites live and the housing features residents would prioritize in new multi-unit development. As the City continues to grow, development patterns will change and beginning a conversation on how best to accommodate this growth through new housing forms is appropriate.

Table 2: Affordable Home Ownership (AHO) Case Study Summary

AHO PROGRAM	MECHANISM	DEPENDENT UPON	MUNICIPAL CONSIDERATIONS
MPDU Maryland	Inclusionary (subdivision scale) Density bonusing	Private market development	**Role:** Full time staff team administers program through development approvals, but no direct capital cost. **Target Household Affordability:** No more than 70% Area Median Income **Benefit:** Highly productive program, generating an average of 5%-10% of County's total housing units on an annual basis **Challenge:** Administration requires in-house staff team
CHT SEP Vermont	Land trust Shared equity ownership	Capital funding from government sources for unit acquisition	**Role:** Municipality contributes property tax revenue (0.01%) to trust fund-based grant program. **Target Household Affordability:** No more than 80% Area Median Income **Benefit:** Produces ownership units affordable in perpetuity, administered by non-profit **Challenge:** Requires upfront capital funding for unit acquisition
RIP Deeper Affordability Portland	Inclusionary (small lot / infill scale) Density bonusing	Non-profit development; capital funding to achieve units affordable within income limits	**Role:** Municipal development application processing similar to other project types. With significant uptake, department may need to scale up. **Target Household Affordability:** No more than 80% Area Median Income **Benefit:** Decentralized small scale, market driven approach with clear pre-zoned requirements **Challenge:** Viable projects likely require additional funding to achieve deeper affordability options
Housing Foundation New Zealand	Shared equity ownership Incremental buy-back	Availability of low-cost land for developing affordable units	**Role:** No direct municipal involvement. Dependent on access to cheap land and senior government funding is helpful but not necessary. **Target Household Affordability:** $65K-$100K NZD or $56,800-$87,000 CAD **Benefit:** Provides a shared-equity mortgage with opportunity to buy additional shares over time **Challenge:** Resource heavy implementation with multiple associated programs

Introduction

Introduction

In August 2021, the City of Vancouver engaged CitySpaces Consulting to determine the feasibility, desirability, and need for an Affordable Home Ownership (AHO) program in Vancouver. This study responds to direction outlined in the *Housing Vancouver* Strategy to create and support opportunities for home ownership that are affordable to entry-level buyers. The rising cost of home ownership is well documented, and feedback received through other housing initiatives indicates most Vancouver renters feel that ownership is out of reach, and they will be renting in the long-term. To better understand renter perspectives and the policy considerations and trade-offs of various AHO programs, the project team completed case study research and engagement with residents and industry professionals to determine how an AHO program could fit within the City's broader *Housing Strategy* goals, priorities, and values.

What is Affordable Home Ownership?

In a typical affordable home ownership program, housing units are created and sold at below market value by a social purpose organization, non-profit, government created housing authority, or by market developers as a community contribution required through inclusionary zoning. Different mechanisms are used to create affordability, including city or donated land, bulk building of modest housing forms, reinvestment of the value of additional density created, innovative financing and/or forgoing market-based profits. Eligible households are then able to purchase a unit at a below market price. Figure 1 places high level groupings of tools to create affordable home ownership units along a scale of the government's required financial contribution or administrative involvement.

Figure 1: Tools of Affordable Home Ownership

Program eligibility criteria typically reflect the specific nature of the affordability challenges particular to a local jurisdiction, and usually target middle-income households. There are two general categories of programs:

- **Shared Appreciation Models:** create affordability and entry to the market for initial buyers and an opportunity to build equity via market appreciation over time
- **Limited Appreciation Models:** prioritize maintaining affordability for subsequent purchasers and limiting the appreciation gain for the buyer

Buyers in most AHO programs are subject to restrictions on occupancy and re-sale. The legal and administrative structure of the pricing, occupancy restrictions, and sale and re-sale terms in the ownership agreements are structured to achieve these different outcomes.

Purpose

While a small number of individual and privately led AHO projects have been approved in Vancouver, the City was, until recently, limited in its ability to implement a formal AHO program. This was because it did not have the authority under the Vancouver Charter to restrict the initial sales price of a unit at a discounted rate and secure affordability over time. As of March 25th, 2019, the Province granted the City the authority to proceed with AHO by enabling housing agreements to secure discounted market sales prices. With authority in place, the City initiated this AHO study to review AHO efforts in Vancouver and other jurisdictions to date, to inform whether and how to proceed with a potential AHO policy framework in Vancouver.

The following key questions represent the focus of this study:

- *What have been the goals and characteristics of different Affordable Home Ownership policies, programs, and projects initiated in Vancouver and other jurisdictions?*
- *Have AHO policies and programs been successful in meeting their objectives? What were the policy considerations and trade-offs experienced?*
- *Is there a desire for affordable home ownership among potential first-time home buyers in Vancouver and key partners in government and the private and non-profit development sector?*
- *What would be the goal of an AHO program in the City of Vancouver and where would it fit within the broader goals and values of the City? What types of households (incomes, household types, demographic characteristics) would an AHO program serve?*

- *Are there specific housing types or geographies that would be more appropriate for AHO?*
- *What trade-offs would be involved in implementing an AHO program in the City of Vancouver?*

The analysis and conclusions related to these guiding questions will help staff determine next steps related to AHO.

Methods

The approach taken to complete this project involved case study research, a 447-person sample survey, and focus groups with non-owners and industry professionals. This study builds on work the City previously completed in 2016 on an Affordable Home Ownership Pilot Program. Based on the learnings from that exercise, the project team identified four AHO programs to profile in greater detail. Before completing the case study research, an evaluation framework was defined to clearly identify program trade-offs. This framework was then used to analyze each case study and determine what program or program elements may be applicable to Vancouver.

Following the case study research, Mustel Group was retained to assist with the creation of a virtual survey among 447 Vancouver residents who are not currently homeowners and between 25 and 55 years of age. The purpose of the survey was to understand the home ownership needs and preferences of this group in terms of housing typology, number of bedrooms, and neighbourhood, while also testing their interest in possible affordable home ownership programs. To supplement feedback provided in the non-owner survey, a focus group was held with non-owners to learn more about their interest in affordable home ownership, as well as their housing preferences.

A workshop was also held with industry professionals, including representatives from BC Housing, local developers and builders, Vancity, Community Land Trust, Aboriginal Housing Management Association, and Vancouver Affordable Housing Agency. This session provided relevant feedback on the feasibility of different affordable home ownership programs, as well as specific direction regarding what is needed to make such programs work in Vancouver.

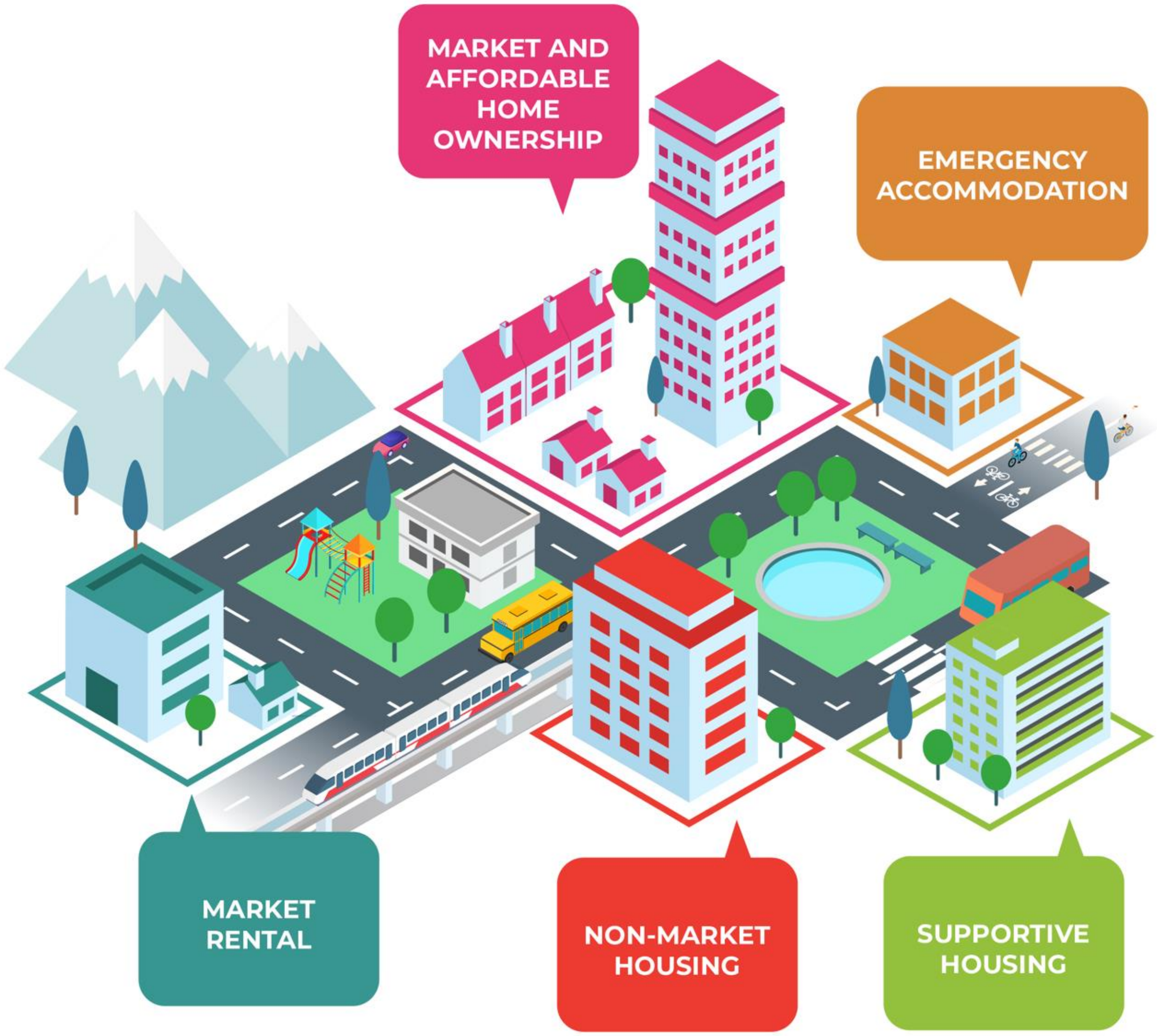
The Housing Network

The housing network is an illustrative diagram that helps communicate the full range of potential housing types and tenures in a community. It is a fluid system of housing options allowing households to find and afford a home that meets their needs. A household should be able to navigate this network of housing options as their lifecycle, and life circumstances, change over time – including in times of crisis.

Each source of supply within the housing system is interrelated and the constraints in any one supply type will impact others. In Vancouver, the gap between what is available and what is affordable has drastically increased in recent years, which is indicative of supply challenges. Renter households are unable to access home ownership and remain "stuck" in their units. This in turn creates pressure on non-market housing stock as low-income households who might have previously been able to access rental housing in the private market are challenged to find available units. An affordable home ownership program would provide an option for middle-income households who were previously excluded from market ownership. This would then free up rental housing for lower-income households.

Addressing affordability constraints with market development alone will take time, as homes typically depreciate in price over many years. Given the affordability crisis, non-market supply is also essential to ensure households have housing choice and options that meet their needs. Across the housing network, a range of market and non-market development is needed to create greater housing mobility.

Figure 2: The Housing Network



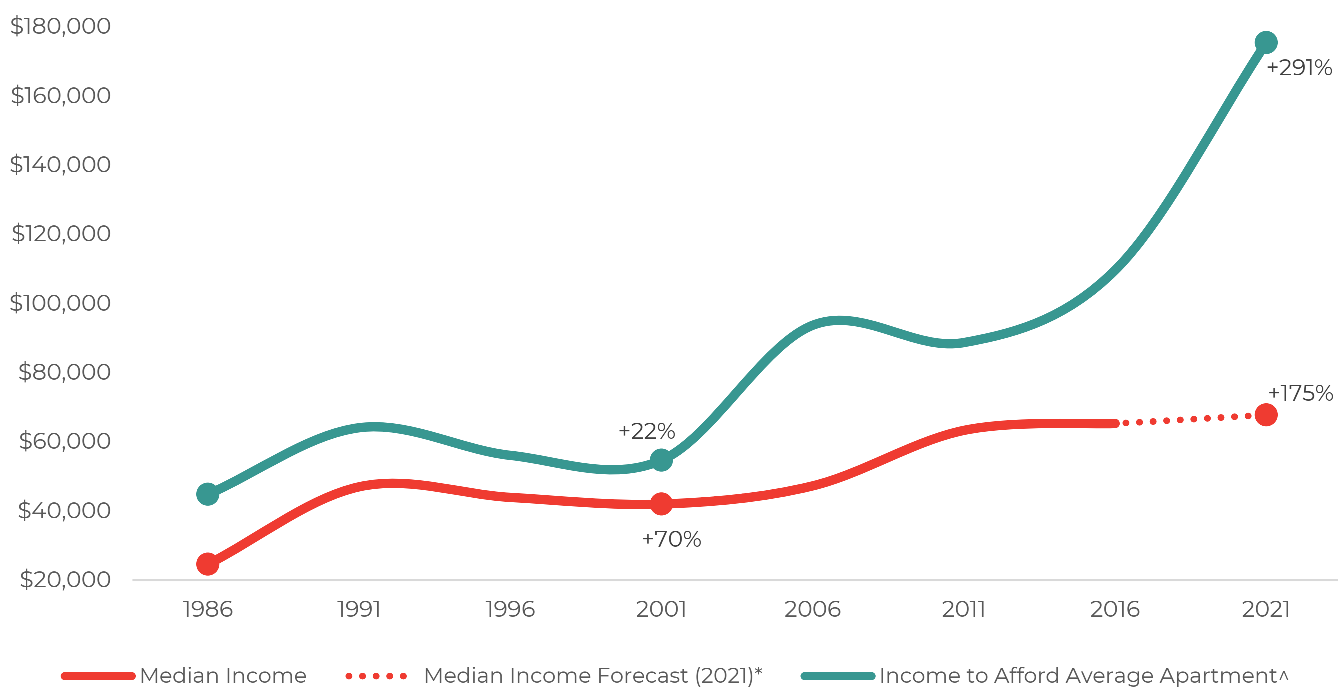
Vancouver's Housing Context

Vancouver's Housing Context

Local Housing Market Conditions

The growing gap between housing costs and incomes in Vancouver is a longstanding and constantly evolving dynamic. While affordability challenges have historically been typical for many households in Vancouver, the gap between what households can afford and the price of housing has rapidly accelerated in the last 20 years (Figure 3). As of 2001, and especially after 2011, the gap between the income required to afford an apartment[4] and median incomes[5] began to rapidly diverge.

Figure 3: Median Household Income + Income to Afford Average Apartment^ (1986 – 2021)



Sources: Real Estate Board of Greater Vancouver. Average Sale Prices Dec 1986-2021. & Statistics Canada. & Vancouver Census Profiles (1986, 1991, 1996, 2001, 2006, 2016). National Household Survey (2011). Median Household Income.

^ Income to afford is tested against the average sales price for apartments from Dec 1986 to Dec 2021.

** Income data for 2021 was not available at the time of report drafting; the 2006-2016 ten-year trend has been carried forward to 2021.*

[4] Income required to afford an apartment is the historical average sales price of apartments tested against the annual average variable mortgage rate (except for 2021 when the stress test rate of 5.25% was required) with a 25-year amortization. A down payment of 10% was tested across all years. Inflation adjusted maintenance/strata fees ($200/month), heating ($90/month), and property taxes (based on the 2021 mill rate) are also considered in the qualification calculations with a maximum gross debt service ratio of 32%.

[5] The median household income describes the middle point where half of households earn more, and half earn less.

While median household incomes increased between 1986 and 2016 (5.5% per year on average), the increase in real estate prices has significantly outstripped these gains (9.7% per year based on average apartment sales prices).[6] Between 2006 and 2016, average sales prices for apartments in Vancouver increased by 67%, while renter (i.e., non-owner) median household incomes only increased by 23%.[7] These increases must be considered in a context where less than half of all households were able to afford an average priced apartment prior to 2001 before price increases accelerated.

Looking back to 1986, median incomes and average apartment prices generally tracked closely together with almost half of households able to afford the average sales price of apartments until 2001. The distance between what a typical household can afford and the cost to buy is even greater for non-apartment properties.

A Need for Additional Supply

These trends indicate a significant gap between housing supply relative to demand in Vancouver. When prices rapidly increase, especially relative to local incomes, it is indicative of a historical lack of sufficient new supply. In the short-term, it is challenging to address previous supply driven cost escalation through new market development alone, as the affordable homes of today were the market developments from previous decades.

In a housing system without supply constraints, homes typically depreciate in price over time, thereby becoming more affordable to lower-income households. When supply is insufficient, prices will increase for all units, irrespective of their relative age or quality.

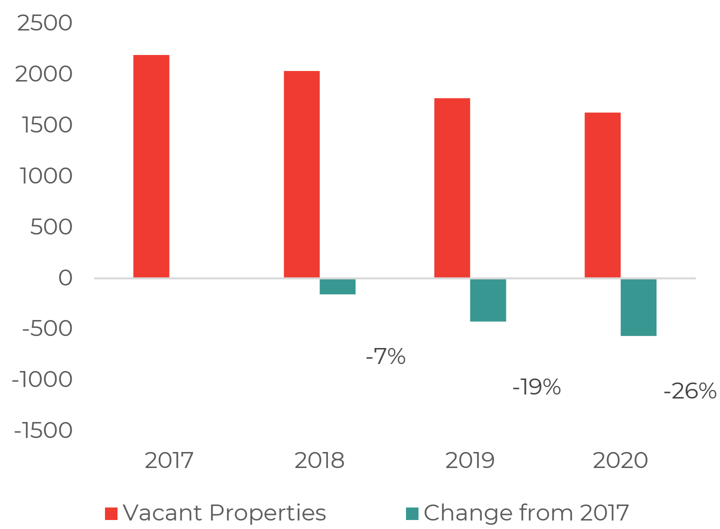
[6] Incomes and sales prices are not inflation adjusted but are compared within the same years.

[7] Renter income data: Province of British Columbia. Custom Report of 2006, 2011, 2016 Long-form Census Data.

As a result, it could take years of building new supply before affordability improvements are realized, and this would likely require creating a disproportionately greater number of units compared to the historical trend. This effort would require not only meeting current demand from in-migration and household formation among existing residents, but also addressing the gap left from decades of insufficient supply.[8]

Attempts to address demand side concerns, such as empty homes purchased for speculation or foreign purchasers, have not been effective at de-escalating prices as these typically apply to a small subset of units or potential purchasers.[9] It is unlikely these types of policies can bring the price of market ownership units back to a level most households can afford without significant intervention or a heavy-handed outcome for any household who recently purchased with a mortgage. As Figure 4 illustrates, Vancouver's Empty Homes Tax (EHT) has been effective at encouraging the renting out of previously empty dwellings, with a 26% reduction in the number of empty homes over the first three years of implementation. However, because there was never a large proportion of empty

Figure 4: Impact of Empty Homes Tax (2017-2020)



Source: City of Vancouver. Empty Homes Tax Annual Report. 2020.

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[8] Examining data on housing completions per capita indicates a level of housing development below the 50-year historical average (going back to 1971) between 1986 and 2016. In 2001, there were half as many housing completions per capita as in 1971. A similar trend is seen at the Metro Vancouver level, where completions per capita fell below the 70-year average starting in 1996 and have remained below the average through to 2021.

[9] Between 2017-2020, the Empty Homes Tax has reduced the number of non-exempted vacant properties by approximately 44%, however, this only represents 1,286 homes (less than 0.7% of all dwellings). Ultimately, there are few vacant residential properties in Vancouver without exemptions due to acceptable factors, such as the property undergoing a sale or renovation at the time of review (76% of exemptions).

homes in the first place, this cannot have a significant market level effect on housing prices or rents.

Impact of Low Housing System Mobility

Inefficiencies or roadblocks within the housing system are created when prices diverge from incomes and housing supply does not effectively meet demand. Historically, many higher income renters would transition into home ownership once their savings or income allowed them to purchase. When purchasing, they leave an opening within the rental market, whereby a renter household with a relatively higher income may move into their previous unit. They, in turn, vacate a unit with lower rent, creating an opportunity for a lower income household and so on. This process is often described as 'filtering,' where households will sort themselves into dwellings they can afford, but this can only occur within a housing system with sufficient available supply to allow for this continuous circulation.

When there are insufficient vacant units available to allow for smooth circulation within the housing system, high income households will typically displace lower income households over time as they bid up the price of existing housing. This is exemplified by the relationship between the vacancy rate and the percent change in rent year over year. Figure 5 on the following page illustrates the rate of rent increase was higher in years with lower vacancy rates. Correspondingly, when the vacancy rate was higher the increase in rents was lower.[10] In every year since 1990, other than 2020, the vacancy rate has been below 2.0%, which would be expected to cause escalating rents. In 2021, the vacancy rate returned to 1.1% after the COVID-19 pandemic induced a record-breaking vacancy rate of 2.8%. Further, rents experienced the largest inflation-adjusted reduction[11] (-1.7%) in the history of the available data after the vacancy rate peaked in 2020.

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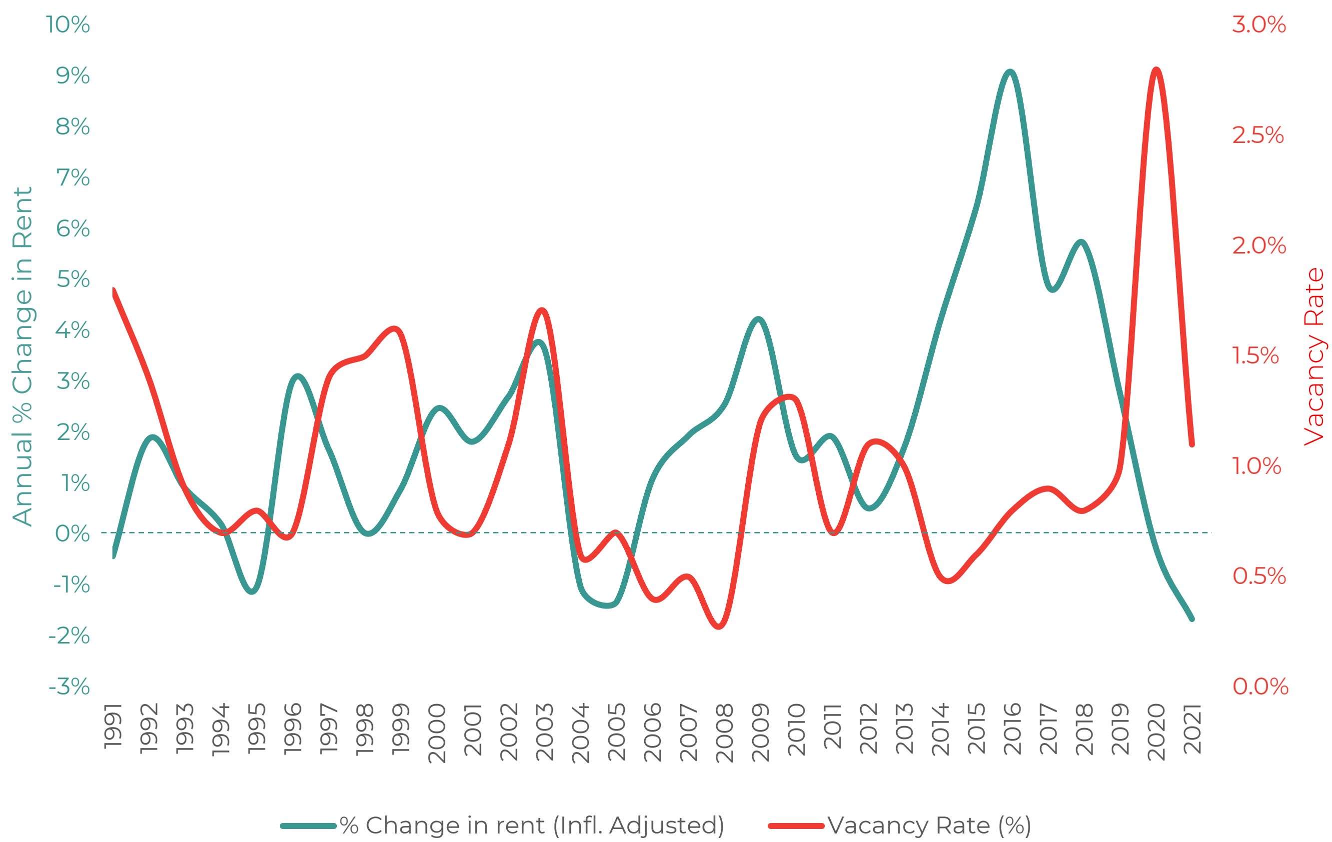
[10] Due to rental data only being collected once per year the exact relationship in Figure 5 on page 18 can be somewhat obscured. There are some years where the vacancy rate was higher, but the corresponding change in rents could not be seen until the following year (2003 for example). However, across most years there is a clear and consistent opposite relationship between the vacancy rate and the change in rent over time.

[11] It is important to note, the absolute value of average rents has always increased year over year since 1990, including from 2020 to 2021, however, when adjusting for inflation there are some years which technically saw a reduction in the average rent based on 2021 dollars. Nonetheless, regularly increasing rental cost is likely the perception and experience for most non-owner households.

Figure 5: Primary Rental Vacancy Rate vs. Inflation Adjusted Annual Percent Change in Average Rent



Source: CMHC. Rental Market Survey: October 1991 - 2021

Ultimately, a healthy housing system will always have sufficient vacancy of all property types, both to rent and own, to allow for this mobility between dwellings as needs and incomes change. For filtering to organically occur, there must be sufficient supply, not only for households to transition between units, but also so older dwellings may become relatively more affordable. Under tight supply conditions, even dwellings depreciating in quality will appreciate in price.

With the high cost of ownership housing in the City of Vancouver, a key path of mobility within the housing system has been broken; many higher income households are continuing to rent without an opportunity to transition into an ownership unit that meets their needs. Over time, this has led to consistently low rental vacancy rates, and the associated escalation of rents, establishing a context where there are fewer affordable options for low- and middle-income households. Creating a stream of ownership housing affordable to moderate income households may serve as a mechanism to 'unlock' mobility within the housing system and reduce pressure on the rental market for lower-income households.

A Potential New Approach

Rapidly increasing the supply of market housing alone will likely be insufficient to address current housing mobility challenges as new construction typically produces relatively expensive units. However, policy interventions may allow for redirecting the type of units being built and the relative affordability of the resulting new supply. To create ownership opportunities a middle-income household could afford, it is likely an alternative ownership stream or sub-market may need to be established with a mechanism to separate prices from market trends. This may involve a light touch, with one time purchaser assistance grants or shared-equity mortgages to help households enter the property market, or a more significant intervention creating a fully separate non-market ownership system. These are the types of interventions affordable home ownership programs typically aim to achieve.

Affordable Home Ownership Case Studies

Affordable Home Ownership Case Studies

Case Study Summary

The case studies explored in this report were chosen because of their high impact or because of their similarities to the Vancouver context. The selected case studies illustrate a variety of approaches to affordable home ownership and provide inspiration for what might be possible locally. There are many other approaches to AHO that were not included in case study research, such as rent-to-own programs. Key conclusions from the case study research are highlighted below:

- **Programs profiled in this report have achieved affordable home ownership in both low, medium, and high-density areas.** There are other programs that prioritize higher density areas, such as New York and San Francisco, but this research targeted programs that were implemented in a variety of typologies and areas of the city.
- **Affordable home ownership programs are built out over long periods of time.** Program administrators interviewed as part of this study emphasized affordable home ownership programs are long term policy initiatives. To establish an effective program that can deliver a substantial number of units, initial capital is needed to start the program. Over time, it is possible for affordable home ownership programs to become self-sustaining, but this can take years to achieve.
- **Affordable home ownership programs require significant administrative capacity.** Programs that prioritize household wealth generation and programs that focus on long-term affordability rely on large administrative structures for day-to-day oversight, education, and implementation. Many affordable home ownership programs involve applicant waitlists, income testing, and monitoring of resale restrictions, in addition to the financial analysis needed to provide units at a discount to market. Where a municipality does not have the capacity to administer an AHO program, a partnership approach with a local non-profit or land trust could be established to deliver AHO.

Case Study Evaluation Framework

There are many examples of affordable home ownership programs in cities across the world. Each program has distinct characteristics that have developed in response to local context, as well as policy priorities. To understand how these programs have delivered on certain objectives, a framework was used to highlight program "trade-offs". These trade-offs illustrate that AHO programs cannot accomplish everything – for instance, programs that prioritize long-term unit affordability typically do not generate significant equity for households over time.

These trade-offs were determined through research and analysis of affordable home ownership programs. Feedback received from different local governments and non-profits highlighted the importance of defining a program objective, as that will help to shape the policy approach. This framework also builds from work the City of Vancouver completed in 2016 to create an Affordable Home Ownership Pilot Program.

The trade-offs are explored in greater detail below and then applied to analyze the case studies summarized in the following section. In-depth case study assessments are provided in Appendix A, page 91.

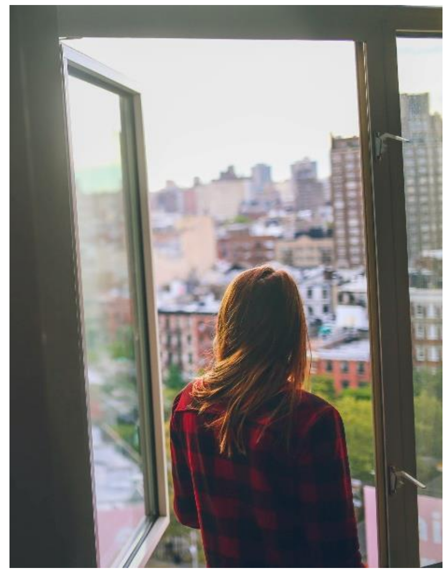
PROGRAM TRADE-OFFS

Program Objective

This criterium references the question of program purpose or goal. Is the primary intention of the program to provide security of tenure or is the program structured to focus on wealth generation so that households may "move up" into the private market? Typically, programs that focus on helping participants build wealth and move up the property ladder are challenged to also provide strong security of tenure, as wealth building is contingent on homes being sold and people moving into new housing. This trade-off is somewhat similar to unit affordability over time, but it is important to consider the basic program purpose to better understand how the policy has been developed and implemented.

Unit Affordability Over Time & Wealth Generation Over Time

In AHO programs, there are typically two central, often competing, priorities – maintaining long-term unit affordability and building household wealth. Most programs fall somewhere on a spectrum between these two goals, as unit affordability is usually maintained by keeping units off the market and only eligible to income-qualifying households who would not be able to afford market prices. Similarly, wealth is typically built by selling homes on the open market, where a household can retain the extent of appreciation that has occurred since they purchased the property.



When homes are sold on the open market, their long-term affordability is effectively lost, as they would no longer be affordable to future residents. However, when affordable home ownership units are sold on the open market, households may be able to use the profits from sale to purchase a market priced home. It can be challenging for households that sell their homes at a reduced rate to afford market priced homes. These distinct program outcomes illustrate the trade-offs that must be evaluated when developing an AHO policy or approach.

Cost & Risk to Government

When evaluating the costs of an AHO program, it is important to consider the mechanism that is used to create affordable units as well as the administrative requirements needed to support program operations.

Capital

While each AHO program involves a distinct policy framework, many of the programs rely on either inclusionary housing to generate affordable units or purchase and construction programs that use a variety of mechanisms to deliver lower-cost housing. There are trade-offs associated with each of these approaches, as outlined below:

- AHO programs that use inclusionary housing rely on a "hot" housing market to leverage the exchange of additional density for affordable units. This approach requires sound economic testing to determine financial viability and program specifics, such as the number of units and level of affordability that can be supported by additional density. These programs have relatively minor capital costs to government, given the private market provides the affordable housing within an inclusionary framework.

There is limited risk to government with this framework as the private market is responsible for providing affordable units; government does not hold debt or provide subsidies to support construction. Success is contingent on comprehensive financial analysis and testing to ensure the density offered can support the provision of affordable units.

Programs that rely on the construction of lower-priced homes, or the acquisition of homes that are then offered at lower-prices typically come with higher costs to government. These programs take many different approaches in jurisdictions across the world. Some programs access revenue from different tax sources (e.g., property taxes) to support the costs of construction or acquisition, while other programs rely on the availability of low-cost land to build affordable units.

Generally, these programs are more cost intensive to government as they require continual financial investment. There can be more risk with these programs as government has directly invested in land or financing for new construction. The extent of involvement varies based on the program, as government can hold a second mortgage, or can be the primary funder/debt holder.

Operations

AHO programs can be administratively complex to operate given the need to monitor income eligibility thresholds and waitlists for affordable units. To assist with operations, certain jurisdictions have delegated elements of their AHO programs (e.g., homebuyer education classes) to other entities, such as subsidiary corporations, non-profits, or other government departments. By sharing the operational responsibilities with third party organizations, local governments lose some control of certain program elements, but gain capacity, as they are not responsible for the entirety of program operations.

For local governments with sufficient internal capacity, administration of an AHO program may be a feasible undertaking. In instances where housing departments do not have the capacity to administer AHO programs, external partnerships are likely required, resulting in some loss of program control.

Many successful, large-scale AHO programs provide additional supports to participants through homebuyer education courses. This can increase the cost and complexity of operations and is why many AHO operators involve other external partners to assist with specific program elements.

Ease of Implementation

Ease of implementation is relatively subjective and AHO programs are generally complex. There are some efficiencies of scale with larger AHO programs that operate within a defined policy framework. These programs typically require several full-time staff to manage daily operations, yet there is a clear structure staff can follow to deliver units. Negotiated AHO on a project-by-project basis may involve fewer full-time operational staff, yet more back-end assistance is required to bring these projects online, as there is no defined framework for staff to follow and pre-development negotiations can be lengthy.

OTHER CONSIDERATIONS

In addition to the program trade-offs, other considerations are analyzed to provide a comprehensive understanding of each case study. These considerations do not have a clearly defined "trade-off" yet are important factors to consider when understanding how affordable units are secured.

Financing

Financing can be a challenging aspect of affordable home ownership as conventional lenders are often reluctant to provide security for non-typical ownership schemes. Most of the large-scale AHO programs have had to demonstrate program feasibility and viability to possible lenders. By building partnerships with lenders, AHO programs can provide AHO participants with an approved lender list. Initial proactive outreach is a key component to ensure financing is accessible to program participants.

Scalability

The scalability of AHO refers to the impact programs have had in their respective jurisdictions. How many units have been constructed and how many households have been able to access affordable home ownership? In addition to impact, scalability considers replicability, or the extent to which the program can be applied in other distinct jurisdictions. This is somewhat related to ease of implementation as defined programs with a clear policy framework are typically more scalable than programs negotiated on a one-off basis.

Moderately Priced Dwelling Unit Program

Montgomery County, Maryland

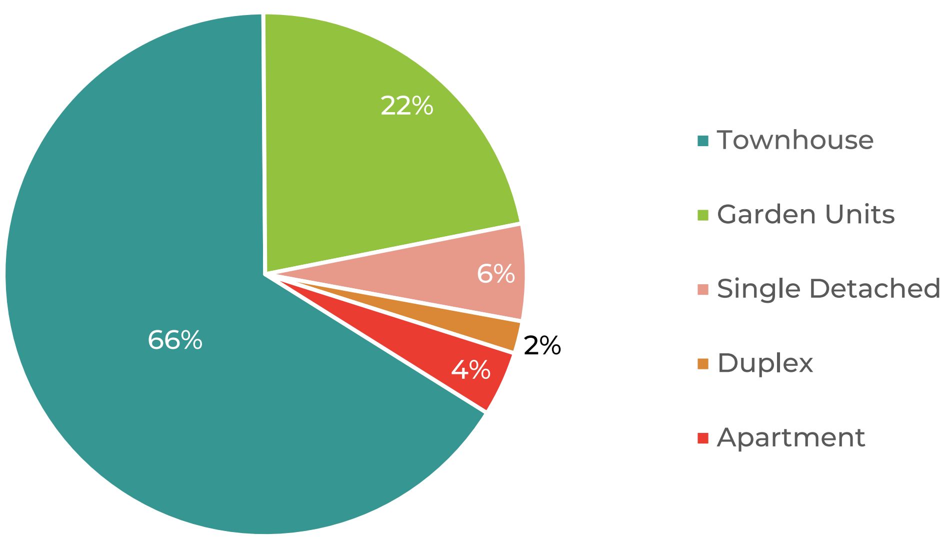
Moderately Priced Dwelling Unit Program

Montgomery County, Maryland

PROGRAM SUMMARY

Montgomery County's Moderately Priced Dwelling Unit (MPDU) program is believed to be America's first mandatory, inclusionary zoning bylaw specifying a density bonus allowance to builders for providing affordable housing. It was implemented in 1974 to help meet the goal of providing a full range of housing choices in the county for all incomes, ages, and household sizes. The MPDU program is run by the Department of Housing and Community Affairs and offers affordably priced units – both new and resale – to first-time home-buyers[12] with moderate household incomes (see Appendix A, page 91). Most of the units offered through this program are townhouses, as seen below.

Figure 6: MPDU Density Bonus Framework, Unit Typology Since 1989



Source: Urban Ventures. MPDU Program: Analysis of Current Program and Research on Other Localities' Inclusionary Zoning Programs. June 2018.

MPDU buyers must be able to qualify for a mortgage; pay a down payment; pay settlement fees including advance taxes and advance insurance; and pay a monthly mortgage payment, utilities, and other costs. Applicants for the MPDU purchase program must provide a mortgage pre-

[12] You are not eligible to participate in the MPDU purchase program if you currently own a house or have owned a house anywhere in the past five (5) years.

qualification letter from a Housing Opportunities Commission (HOC)[13] approved mortgage lender in an amount of at least $150,000. The MPDU Program does not provide financing to purchase MPDUs. Special financing and down payment and closing cost assistance are available through the HOC.

Since it was originally drafted, the MPDU program has been amended several times – largely in response to the county's increasing demand for affordable housing. Current legislation requires new subdivisions of 20 or more units to provide a minimum 12.5% MPDUs. For developments that provide more MPDUs, additional density is available. The most recent program revision introduced three tiers of bonus density, dependent on the percentage of MPDUs provided:

Table 3: MPDU Density Bonus Framework

Inclusion Unit Ratio	Density Bonus
Projects providing between 12.5% – 15% MPDUs	Eligible for an 0.88% increase in density for every 0.1% increase in MPDUs Maximum 22% density bonus for providing 15% MPDUS
Projects providing >15% – 20% MPDUs	Eligible for a 0.16% increase in density for every 0.1% increase in MPDUs Maximum 30% density bonus For example, a development providing 16% MPDUs would earn a density bonus of 23.6% (a 22% bonus for 15% MPDUs plus a 1.6% bonus for 1% increase in MPDUs over 15%)
Projects providing > 20% MPDUs	Eligible for an increase in density equal to 30% plus 1% for each additional 1% of MPDUs provided in excess of 20%

Source: Montgomery County, Zoning Text Amendment 1806, MPDU – Bonus Density, 2018.

All new MPDUs and some resale homes have 30-year controls, while very few resale homes have 15-year controls. These controls are in the form of a legal document, known as an MPDU restrictive covenant that states:

[13] HOC was established in 1974 to better respond to the County's need for affordable housing. HOC is authorized to acquire, own, lease, and operate housing; to provide for the construction or renovation of housing; obtain financial assistance from any public or private source to assist its housing activities; and arrange for social services, resident services, and day care. HOC operates as an affordable housing agency, a housing finance agency, and a housing developer.

- During the control period, the owner can only sell their MPDU at the established controlled resale price through the MPDU program; and
- When the MPDU is sold after the control period, the owner may sell the unit at a market price and must pay 50% of the excess profit[14] to Montgomery County.

To be eligible to receive a Certificate of Eligibility to purchase an MPDU, at least one adult member of the household must complete the following classes: a first-time homebuyer class, an MPDU orientation seminar; and an MPDU application tutorial. Once a household as a Certificate, they may enter a Random Selection Drawing. The County has a computerized system which randomly selects among the eligible households who have entered the drawing. The computer first screens out households that do not have the correct household size, or that do not qualify for a sufficient mortgage amount.

As of 2016, the MPDU program had produced over 15,000 units, 66% of which were for-sale units[15]. About 150 new for-sale and 50 resale MPDUs are available each year. No other inclusionary zoning program in America has matched the productivity of the Montgomery County MPDU program[16].

APPLICABILITY TO VANCOUVER

The MPDU program relies on inclusionary zoning to deliver affordable units. While inclusionary zoning is in place in many of Vancouver's neighbourhoods, inclusionary units are secured as rental tenure, as opposed to ownership. The MPDU program provides flexibility to developers regarding tenure; approximately two thirds of the units secured through the program have been ownership units. Should this approach be considered in Vancouver, economic testing and financial analysis would be needed to determine if Vancouver's inclusionary framework could support ownership, rental, and non-market housing.

[14] Excess profit is the amount of appreciation in the value of the MPDU that exceeds the owner's initial purchase price plus: a credit for allowable improvements; an allowance for the increase in inflation, based on the difference in the Consumer Price Index from when the MPDU was purchased and when it was put on the market; the real estate commission (up to 6%) of the sale price of the MPDU; and, one-half of the applicable transfer taxes and one-half of the recordation charges, up to a limit of 1.1% of the sales price.
[15] Developers determine whether units are offered for rent or sale, with buyers and renters subject to maximum income limits set by the county's Department of Housing and Community Affairs (DHCA).
[16] Rubin and Trombka 2007; Urban Institute 2012

The MPDU program has provided additional density in exchange for affordable units across Montgomery County, as any development of more than 20 units is required to provide a proportion of those units as affordable housing. Most units secured as MPDUs are townhouses, which is distinct from the planning framework in Vancouver where inclusionary units are typically apartments. MPDUs are typically priced at 30%-40% of market rates, which demonstrates the program is able to provide deep levels of affordability through low density housing forms. Given the cost of land in Vancouver, it will likely be challenging to achieve similar levels of affordability in lower-density housing forms. Further economic testing will be helpful to demonstrate what levels of affordability can be supported at different densities in Vancouver's neighbourhoods.

In addition to the MPDU program, Montgomery County is exploring attainable housing strategies to address the housing crisis. The County is reviewing single-family zone standards, including the usable area, size, setbacks, height, density, and parking requirements, as well as the process for development review and approval. The goal of this initiative is to make communities more equitable and inclusive by countering the historical exclusionary aspects of zoning. This has involved extensive community engagement and the creation of an external advisory team. A draft final report identifies zoning reforms that will allow and encourage the creation of a more diverse range of housing typologies across the county.

In Vancouver, Statistician Jens von Bergmann summarizes "thirty-five per cent of all households live on single family and duplex properties making up 81% of Vancouver's residential land, while the remaining 65% of households live on 19% of the residential land".[17] An affordable home ownership program could provide additional density in these low-density neighbourhoods, with particular attention paid to zoning standards similar to those recently proposed in Montgomery County's Attainable Housing Strategies initiative.

The MPDU program benefits from its long-standing use of density bonusing to secure affordable housing; staff indicated the program is generally viewed as acceptable and suggested the public's opinion would perhaps be different if this approach was being proposed for the first time. Public perception of density bonusing may be challenging in Vancouver, however the MPDU program demonstrates how an initially contentious policy program can be highly successful over time.

[17] Jens von Bergmann, "SDH Zoning and Land Use: How Much Land Do Single Detached and Duplex Houses Consume?" *Mountain Math* (blog), June 17, 2016.

Champlain Housing Trust

Burlington, Vermont

Champlain Housing Trust

Burlington, Vermont

PROGRAM SUMMARY

The Champlain Housing Trust (CHT), based in Burlington Vermont, is one of the top performing affordable ownership programs in the United States.[18] The CHT combines a range of approaches to administer its programs, including homebuyer education and support, land trusts, loan funds, and shared equity products. Housing costs are further reduced through a trust approach[19] to land ownership, grants from governments and philanthropic organizations, units acquired through inclusionary zoning, and access to favorable financing from the Vermont Housing Finance Agency. Overall, it is estimated the CHT can reduce the costs of entering home ownership by 25% through its Shared Equity Program (SEP) with an initial subsidy, lower-than-market property prices, reduced legal fees, and the elimination of requirements for private mortgage insurance.

The CHT holds over 3,000 dwellings, with approximately 640 in the SEP, ranging from suburban detached dwellings to artist residences to mixed-use downtown apartments. The 636 units in the SEP have provided affordable home ownership opportunities for more than 1,200 households. Units are established through purchases from the market, inclusionary policies, adaptive reuse and brownfield redevelopment, post-fire restoration, and new purpose-built construction. Approaches to unit acquisition have evolved over time depending on the current market, funding opportunities, or regulatory policies. Being nimble and adapting to current government programs has been key to the CHT's success.

The CHT has a stable funding mechanism in the Burlington Housing Trust Fund (BHTF), in addition to competitive grants from statewide levies through the Vermont Housing and Conservation Board. The municipal BHTF receives 1 cent of every $100 property tax revenue (i.e., 0.01% of property taxes). Similarly, the state-level Vermont Housing and Conservation Board is provided 1 cent of every $100 property transfer tax revenue for use in grant programs. The trust funds do not provide money directly to the CHT, but rather fund consistently available

[18] Carlson, M. (2015), International Examples of Affordable Homeownership. BC Housing and Housing Services Corporation
[19] A land trust approach typically involves the separation of land from the structures held upon it to limit changes in price.

competitive grants the CHT successfully secures. Capital funding for new construction typically comes from federal government programs.

These funding sources allow the program to continue expanding, acquire more properties, and help more households. Owners must also pay a ground lease – or membership fee – to fund the CHT's operations and homeowner support services. Once the CHT had approximately 500 dwellings in the SEP, the ground lease and membership fee revenue were sufficient for the program to be self-sustaining. The CHT has continued to expand the portfolio of SEP dwellings beyond this threshold of self-sufficiency with the aim to help as many households as available funding allows. The land trust model applied by the CHT functions in hot markets and can maintain affordability over time but requires the capital to make initial acquisitions – which is a larger challenge in markets experiencing significant pressure with higher prices.

This case study focuses on the program components contributing to affordable home ownership, primarily the Shared Equity Program.

How does it work?

The CHT's Shared Equity Program (SEP) seeks to address both the challenge of saving a down payment and the high cost of homes. The CHT identifies four key benefits of its program:

1. Helps low- to moderate-income earners become homeowners;
2. Lowers home prices for buyers;
3. Owner builds personal wealth from equity in their home; and
4. Strengthens communities by protecting long-term affordability and property values.

A key innovation of the program is the agreement between the buyers and CHT to preserve affordability forever by sharing most of the home's appreciation with future buyers. Purchasers are income tested against gross household income and the number of persons to be living in the home. The program aims to serve households earning no more than 80% of the area median income (AMI), with some earning between 80–100% of the AMI; typically, households earn less than this maximum (the current average is 70% of AMI). Purchasers cannot have more than $60,000 in liquid assets. Table 4 summarizes the current income cutoffs by household size.

Table 4: Champlain Housing Trust Shared Equity Income Cutoffs by Household Size

Household Size	Income Cutoff (USD)	Income Cutoff (CAD)[20]
1 person	$67,200	$84,000
2 persons	$76,800	$96,000
3 persons	$86,400	$108,000
4 persons	$95,900	$119,875
5 persons	$103,600	$129,500
6 persons	$111,300	$139,125
7 persons	$119,000	$148,750
8 persons	$126,600	$158,250

Source: Champlain Housing Trust. Eligibility for Shared Equity Program. www.getahome.org/eligibility-for-sep/

Dwellings are acquired through a range of means, including units built by the CHT or in partnership with private for-profit developers, and existing homes identified by qualified SEP buyers to be acquired from the market through CHT grants. The CHT also provides a catalog of homes currently available for sale under the SEP program on its website. Listed properties include both those being re-sold by an existing SEP owner, and newly constructed or acquired units within the program. For resale properties, the CHT orchestrates a three-way closing, where the CHT buys back the properties and then sells to the next purchaser in a simultaneous series of transactions. Once approved buyers apply to purchase a property, a points system is used to select the successful purchaser.

The CHT determines resale prices through a formula contained in a ground lease or housing subsidy depending on the unit type. The CHT typically buys into properties with a 20% equity share because this exempts the household from mortgage insurance requirements. The purchaser would take on a standard mortgage for the remaining share of the property's value. The CHT has developed relationships with a range of lenders, typically credit union style social-purpose banking institutions, but a purchaser could bring a mortgage from any lender who would approve them. For a condominium unit, the seller retains 25% of the market value increase. For detached homes, the seller would receive 25% of the market appreciation of the share they initially purchased.

[20] Program income cutoffs are in US dollars. Canadian dollar conversions were calculated based on the exchange rate on January 18, 2022 ($1.25 CAD – $1.00 USD).

Table 5 illustrates how the appreciation would be shared upon resale of a single-detached and condominium unit experiencing the same rate of market appreciation. To determine the appreciation, an appraisal is done both at the time of original purchase and at resale.

Table 5: Resale Formula for Condominium and Detached House[21]

	Condominium	Single-Detached
Original Appraisal	$100,000	$200,000
Original Purchaser Value	$50,000	$100,000
Original Purchaser Share	50%	50%
Resale Appraisal	$150,000	$300,000
Market Value Increase ($)	$50,000	$100,000
Market Value Increase (%)	50%	50%
Increase Retained by Seller	$12,500	$12,500
Real Increase Share (%)	25%	12.5%
Total Seller Resale Price (purchase value + appreciation retained)	**$62,500**	**$112,500**

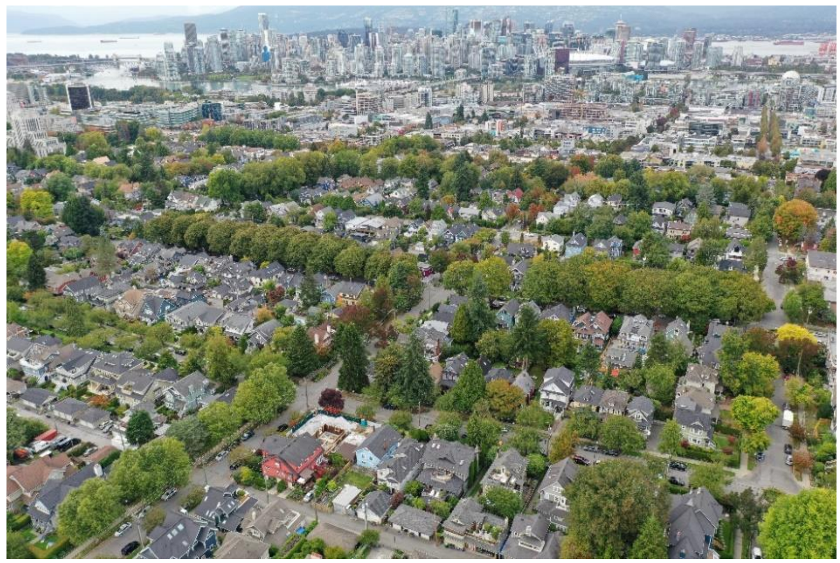
APPLICABILITY TO VANCOUVER

Given Vancouver's high land values, it could be challenging to acquire market units without significant investment. A program could be structured to reduce the direct cost of property acquisition for affordable home ownership through tools such as density bonusing and inclusionary units. While the CHT includes detached units in its SEP portfolio, this may not be possible in Vancouver as the cost of land would likely be prohibitive. It may be

[21] This example is theoretical for demonstration purposes only.

challenging to justify the significant cost of establishing an affordable home ownership program given the high cost of detached dwellings in Vancouver.

A longer-term option could the gradual acquisition of an affordable home ownership stock through inclusionary policies. It would be important to draft a new inclusionary mechanism not in conflict with current rental initiatives to make this approach feasible. This could potentially occur through a prioritization of incremental, small-scale, and ground-oriented units which would avoid conflict with rental units currently created through inclusionary policies applied to larger multi-unit developments.



Alternatively, different tiers of inclusionary units could be adapted into current policies to require both rental units for low- and lower-moderate income households, and moderate-income ownership units at below market rates through a shared-equity approach. Without providing a higher density bonus in this scenario, it would likely result in more inclusionary ownership units than rental units. Given the challenges associated with the public perception of density bonusing, it may be more effective to focus on a smaller-scale typology not currently associated with inclusionary policies.

A key implementation challenge is determining an equity share formula able to maintain affordability over time based on local market conditions. The CHT's SEP appreciation sharing formula has been used to limit the price of resale homes to no more than inflation. Any amount of appreciation above the rate of inflation is used as a contribution to the next buyer's down payment to suppress their direct purchase price. This process of reallocating appreciation to limit prices continues for all future purchasers. This allows the future sales price of an SEP home to be affordable to the same relative incomes over time (see Figure 7 on page 104 to better understand this repurposing of value appreciation over time). This dynamic would have to be tested against local conditions.

In Vancouver, where home prices have significantly diverged from local incomes, a larger proportion of the appreciation may need to be provided for the down payment to maintain affordable prices over time. The City would also need to decide whether it wanted to directly administer a program, requiring it to hold equity of inclusionary units, or if a nonprofit society should oversee its implementation.

It is likely the price difference between SEP and market dwellings would diverge more rapidly in Vancouver than they have in Burlington, potentially making it more difficult to move into a market home later. The CHT's formula has evolved over time, and it has noted simplicity is an important consideration. With a complicated formula, there is a higher administrative burden and owners may not understand the value they will retain upon selling. Similar models or formulas could be tested against historical price trends in Vancouver to determine how they might perform. The long-term trend of local incomes and housing prices compared to inflation will be important to consider in this evaluation.

Given a large proportion of Vancouver's land base is reserved for low-density forms, there may be an opportunity to use conditional zoning, capture the land lift,[22] and reallocate the increased value to create affordable ownership units. Economic testing would be required to determine the feasibility of any given model, but there may be opportunities to create a new stream of inclusionary policies to establish non-market ownership units throughout the City.

With a sufficient source of funding, the CHT's SEP could theoretically be applied in any market. As funds for affordable housing are typically limited, additional mechanisms beyond direct government funding would likely be required to implement an SEP program in Vancouver. The CHT also applies a range of funding, subsidization, inclusionary, and bonusing approaches to bring units into its SEP. The SEP framework developed by the CHT could also be effectively combined with the zoning framework changes developed in Portland which are described in the following section.

[22] Increased land value per square foot or unit of area

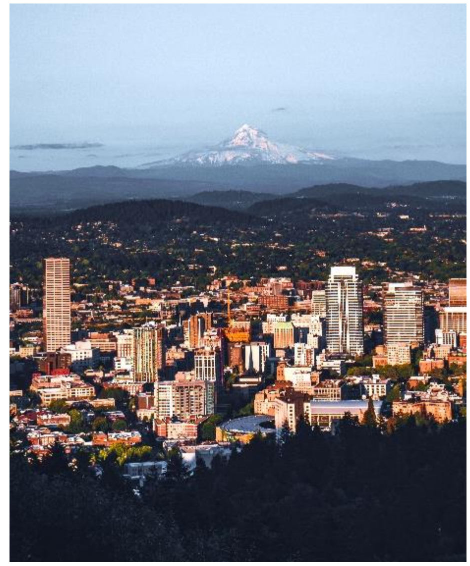
Residential Infill Project: Deeper Affordability Amendment

Portland, Oregon

Residential Infill Project: Deeper Affordability Amendment

Portland, Oregon

PROGRAM SUMMARY



This case study focuses on the Deeper Affordability Bonus forming part of Portland, Oregon's larger Residential Infill Project. The issues being addressed by this policy change and the development context of many Portland neighbourhoods closely parallel the conditions and challenges experienced in Vancouver.

Background

The Residential Infill Project (RIP) was initiated to help address the City's housing shortage. State level minimum requirements for municipal zoning allowances were created, and the RIP was developed in response. This project focused on reforming zoning rules in areas with exclusively single-detached housing. These reforms expanded the range of housing typologies and options permitted within these districts, limited the overall size of dwellings, and incrementally increased floor area for projects with more than one (1) unit. The regulatory changes allowed for duplexes, triplexes, and fourplexes, as well as accessory dwelling units, and different combinations of these typologies within most single-detached districts in Portland. The Deeper Affordability Bonus allows for fourplexes and sixplexes with additional restrictions requiring higher levels of affordability.

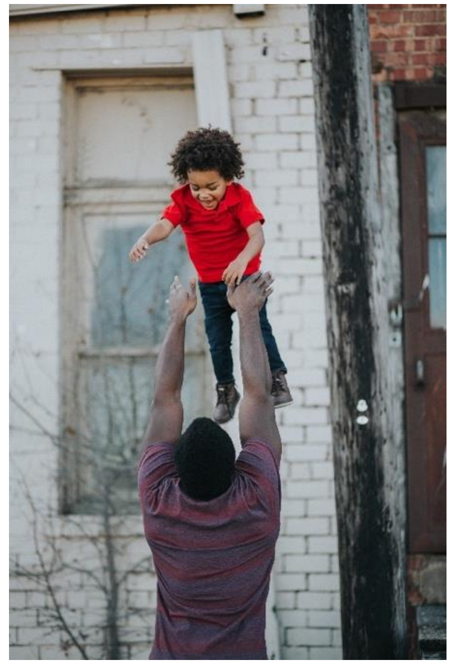
The rule changes aimed to address affordability concerns and large new detached homes in three ways:

- Requiring smaller houses that better fit existing neighborhoods.
- Creating more housing choices for people's changing needs.
- Establishing clear and fair rules for narrow lot development.[23]

These changes are framed as one piece of the affordability puzzle and are not intended, or expected, to be a remedy for all housing cost issues. The RIP amendments aim to provide home

[23] https://www.portland.gov/bps/rip/about-project

ownership opportunities for low- and moderate-income families and people of colour in high opportunity neighbourhoods from which they have been historically excluded. Giving a broader range of households the opportunity to live close to schools, parks, and jobs at prices they can afford will provide benefits for these households and begin to address historical inequities.



Financial analysis completed by the City found the basic changes brought by the RIP would not produce low- to moderate-income affordability without additional floor area. At the request of local non-profits, additional measures were amended into the framework to achieve this objective through the Deeper Housing Affordability Floor Area Ratio Density program.

The Deeper Affordability Bonus

A set of amendments were made to the RIP to provide an option for more deeply affordable units within infill projects. The changes were intended to give nonprofits a competitive edge over market developers in land acquisition. These options apply only to fourplexes and sixplexes. Fourplexes without the affordability option are also allowed but with reduced development potential. Sixplexes are only permitted through the Deeper Affordability Bonus. Pursuing this option provides a density bonus of 0.2 FAR and up to 35-foot building heights (increased from 30-foot) where conditions are met. This approach can be used to produce affordable rental units or affordable home ownership units. In theory, any developer could produce homes under this new zoning framework, but it has been specifically designed with nonprofits in mind.

A Vancouver Fourplex

Conditions must be met to apply the deeper affordability provisions and associated density bonusing:

- At least 50% of the total dwelling units on a site must be affordable to households earning no more than 60% of the area median family income (AFI) for rental or no more than 80% AFI for ownership units.
- The applicant must provide a letter from the Portland Housing Bureau certifying the development meets the affordability requirement and any other administrative requirements of the Bureau.
- Affordable home ownership units require a covenant with resale restrictions for 10 years where the density bonus is sought. For rental units, the affordability must be maintained for 99 years.
- At least two dwellings on a lot must meet a set of visitability[24] (i.e., basic accessibility) standards contained in the Zoning Bylaw.

The zoning density guidelines for the new development options are illustrated in Table 6.

Table 6: Deeper Affordability and Density Bonusing

Zoning Provision		R5 Zone Floor Area Ratio
Base Maximum FAR*	1 Unit	0.5
	2 Units	0.6
	3+ Units	0.7
Max FAR with Deeper Affordability Bonus	4 / 6 Units	1.2

Source: City of Portland. Bureau of Planning and Sustainability. Residential Infill Project Vol. 2. Ordinance 190093

** A bonus of 0.1 FAR is available where one unit is affordable to 80% MFI or units are added to a site with an existing house and the street-facing façade is substantially unchanged.*

Economic analysis has found the Deeper Affordability Bonus would likely not appeal to market developers.[25] With the current affordability requirements, projects are not feasible without

[24] The visitability standards establish a minimum level of accessibility to provide easy access to the main level and include requirements for entrances, bathrooms, living areas, and doors. Visitable housing offers a convenient home for residents and a welcoming environment for visitors of all ages and mobility.
[25] Jerry Johnson. Economic Analysis of Proposed Changes to the Infill Development Standards. Johnson Economics. November 29 2018.

additional external subsidy, even with property tax and development cost charge exemptions.[26] The bonus is viewed by the City as an incentive for nonprofit affordable housing developers, with the expectation alternative development models, access to land at below market rates, or alternative sources of financing would be required. The analysis also found the economics fare worse for ownership units than rental and predicted most sixplex developments applying the Deeper Affordability Bonus would be rental.

These amendments were implemented in August 2021, and no projects have been proposed in the following five months up to February 2022. Projects under this framework are administered by the Portland Housing Bureau, which is responsible for all housing affordability programs in Portland. The Bureau of Planning and Sustainability has established development entitlements and requirements in the zoning code, including the required median family income limits, and then defers implementation to the Housing Bureau. The Housing Bureau will administer the compliance program for homes developed under the Deeper Affordability Bonus framework.

APPLICABILITY TO VANCOUVER

Economic analysis found Portland's RIP Deeper Affordability Bonus options may not be economically feasible to support the creation of ownership units. With the expectation most program uptake would be for nonprofit rental construction, it appears this model may not be viable for affordable home ownership in Vancouver. However, it should be considered these amendments were created at the request of nonprofits to provide a competitive edge over market developers for land acquisition. Seeing as these groups typically develop rental housing and utilize government funding programs and grants to do so, the Deeper Affordability amendments were designed to support this outcome. There is a recognition these options would not be attractive to private market developers, but this was not the objective of the changes.

It is important to note that while there are overall land use similarities between the cities of Portland and Vancouver, there is a substantial difference in the land value context. Portland has

[26] City of Portland. Bureau of Planning and Sustainability. Deeper Affordability Bonus Feasibility Study. March 9, 2020

emerging affordability challenges, but land values have not escalated to the same scale as in Vancouver.

Given land cost is a key obstacle to housing affordability in Vancouver, programs creating affordable housing typically require multi-unit housing forms. All else being equal, allowing more units to be built on a given piece of land typically results in land lift,[27] due to increasing the economic productivity allowed on the land. However, if the land lift value could be used to subsidize the cost of the additional units created, it may be possible to produce affordable units through a scheme similar to Portland's in Vancouver. Because land prices in Portland are not inflated to the same extent as they are in Vancouver, there is not sufficient land lift to produce more affordable ownership units through the Deeper Affordability Bonus. With much lower land costs, splitting the land value across more units also has less impact in the Portland context and does not alter the final price as significantly as it may in Vancouver.

It will be important to establish a framework where the level of income restriction required is effectively aligned with the potential increase in value of allowing more units, or projects may not be successfully realized. The balancing point of the income restriction, the share of affordable units required, and the value of allowing more units would have to be tested against local conditions.

It is also important to provide consistent and clear expectations for potential proponents who may make decisions about the price they are willing to pay for a piece of land based on what they can develop on it; changing the rules after a parcel has been purchased may reduce or eliminate the feasibility of the imagined project due to overpaying based on a different set of assumptions.

Portland's New Columbia Neighbourhood, the City's largest mixed-income community, is primarily fourplexes, sixplexes, and eightplexes – relatively inexpensive forms to develop (Source: Google Maps)

Analysis completed by Small Housing BC (SHBC) has suggested a similar model could function in Vancouver through the separation of land value from the affordable units

[27] Increased land value per square foot or unit of area

(see Table 11 on page 84 and Table 12 on page 85 for further details on SHBC's model). It was found ground-oriented multiplex developments could produce a mix of market and non-market ownership units through the redevelopment of current detached and duplex lots into four to six units. Covenants could be used to restrict the sale price of the affordable units in exchange for density bonuses, thereby reducing or eliminating the increase in land value associated with allowing more units to be developed. It was found enough extra value could be created through density bonuses to fund the project, and incentivize their development, without significantly driving up land costs. The SHBC's analysis tested for homes affordable to household incomes of $80,000 to $120,000, or 16%[28] of Vancouver households who would otherwise not be able to participate in the ownership market.

The City of Vancouver is exploring policy options for neighbourhood areas off main streets, as current policy primarily creates development opportunities in areas with existing multi-unit housing and along arterials. Current affordable housing programs and policies address larger multi-unit and master planned projects, however, there are limited options for new affordable housing in the low-density areas making up most of Vancouver's residentially designated lands. It is important to consider small- and medium-scale, multi-unit wood-frame construction is relatively inexpensive to build and creating more opportunities for these forms will likely be a vital component of addressing affordability in Vancouver. Should the City seek to implement a similar program, it would likely require providing more density than is typically permitted in detached neighbourhoods. The RIP Deeper Affordability Option provides up to 1.2 FSR or approximately double the currently permitted floor area in Vancouver's RS-1 zoning district.

A model similar in approach to Portland's RIP Deeper Affordability Bonus program, but developed in response to local conditions, could be a potential framework for affordable home ownership in Vancouver. There may also be an opportunity to combine the approach developed

[28] Based on 2016 Census data

in Portland with the shared-equity model applied by the CHT. Combining these two approaches may allow for the development of ownership units affordable to households with lower incomes than those tested by SHBC. A key consideration for the City is how income testing and qualification would be undertaken. This could be through a nonprofit that develops homes, owns a share of homes, or administers affordable home sales, or implemented directly by the City.

Housing Foundation New Zealand

Housing Foundation

New Zealand

PROGRAM SUMMARY

Established in 2001, Housing Foundation is a not-for-profit, charitable trust that assists lower income renting households to become homeowners. Housing Foundation builds affordable housing that is then offered to eligible participants for purchase. As of five years ago, the majority of homes built by Housing Foundation through the Shared Ownership Programme were detached homes and duplexes. Most recent developments have shifted to higher-density housing forms, included terraced housing[29] and apartment forms in reflection of increasing land costs and density requirements set by City Councils.

To qualify for their Shared Ownership Programme, program applicants must be:

- A New Zealand Citizen or Permanent Resident
- A first-time home buyer
- Have at least one member of the household in full time employment
- Have manageable debt
- Have a deposit
- As a guide, your total annual before-tax household income threshold is between $65,000 NZS ($56,800 CAD) and $100,000 NZD ($87,000 CAD).[30]
- Housing Foundation does not maintain a waitlist for the Shared Ownership Programme as there is greater demand than can be addressed through this program. As household circumstances and house prices change, Housing Foundation provides targeted advice to applicants and encourages those unsuccessful to re-apply.

[29] Terraced housing is comparable to townhouses.
[30] The income level is based on house prices, what a bank will lend to a first-time home buyer and a household not paying more than 30% of gross household income in mortgage repayments and being able to purchase at least 60% of their home with a mortgage and deposit. In some areas of NZ, the minimum income required is closer to $85,000 NZD ($74,230 CAD).

- To apply for the Shared Ownership Programme, applicants must provide a KiwiSaver[31] pre-approval letter from a KiwiSaver provider as well as a First Home Grant pre-approval letter. Housing Foundation introduces program applicants to banks that have experience with the Shared Ownership Programme who work with Housing Foundation on a regular basis.
- Their Shared Ownership Programme provides an opportunity for joint (or shared) home ownership, meaning a household would buy a majority share of the property (usually 60% or more), with Housing Foundation covering the remaining share of the property (i.e., 40%). The example below illustrates what this might look like in practice:

Table 7: Shared Ownership Programme Framework

Purchase Component	Value
Total market value	$720,000
Household buys 60% of the property with their deposit and bank mortgage	$432,000
Housing Foundation's share is the remaining 40% of the property	$288,000

Source: Shared Ownership Programme, Housing Foundation. https://www.nzhf.org/affordable-home-ownership/

Housing Foundation encourages Programme participants to become full owners over a 15-year timeframe. The Programme allows for participants to buy additional shares in portions of no less than 5% at a time, until 85% ownership is reached. At this time, the final purchase of 15% is completed in one transaction resulting in full ownership. Housing Foundation charges an application fee each time participants apply to purchase additional shares in the property, as well as an annual management fee to cover operational overheads, property administration, and program support.

The sale of a Shared Ownership home is possible at any time. The Programme stipulates participants interested in moving must offer their share of the home (e.g., 60%) back to Housing Foundation for purchase before considering market sale. Housing Foundation can choose to buy back shares to again offer homes at below market prices. An independent valuation is undertaken and if Housing Foundation can afford to buy back the share of the home, the organization will do so. If the home is instead sold on the open market, the proceeds are shared according to the current ownership percentage (e.g., 60% to the owner, 40% to Housing

[31] KiwiSaver is a voluntary savings scheme to help set you up for your retirement, similar to a Registered Retirement Savings Plan.

Foundation). Housing Foundation would then use the proceeds from that sale to re-invest in the Shared Ownership Programme and subsidize the cost of additional units.

Housing Foundation relies on the availability of low-cost land to build affordable housing. Housing Foundation has been able to secure Council-owned (or Government-owned) land at reduced rates and has partnered with organizations that have available land to reduce up-front land costs. There is a dedicated role within Housing Foundation to find affordable land and explore partnerships to acquire land at reduced rates.

Most affordable homes available for purchase through the Shared Ownership Programme have been built by Housing Foundation and are new builds. Participants must purchase a home that has been constructed by Housing Foundation – homes for sale on the open market are not eligible for the Shared Ownership Programme. In addition to low-cost land, Housing Foundation relies on the following additional revenue sources:

- New Zealand's Federal Government recently developed a Progressive Home Ownership (PHO) initiative that provided Housing Foundation (and other housing providers) with a loan. Prior to federal government involvement, Housing Foundation received financial support from philanthropic organizations to begin operations.
- Housing Foundation has historically relied on capital gains accrued as households buy out at current market prices.[32]
- Housing Foundation has a Rent-to-Own Programme and leverages the rent received from this Programme to invest in the Shared Ownership scheme.
- With more housing providers active in the New Zealand market, Housing Foundation has also begun providing housing related services for third parties embarking on their own housing projects. The payments received from these services are then funneled back into the Shared Ownership Programme.

Housing Foundation has built homes for, and houses, over 450 households through the Shared Ownership and Rent-to-Own Programmes; furthermore, the Foundation has built 500 homes for other community housing providers, the government, through Kainga Ora[33] and for open market buyers. Additionally, 305 homes are planned and under construction.

[32] For example, when a household buys back 5% of their shared property, an independent valuation is undertaken. The percentage (5%) is calculated against the home's current estimated value, as opposed to the value at the time of purchase.
[33] Kāinga Ora brings together the people, capabilities, and resources of the KiwiBuild Unit, Housing New Zealand, and its development subsidiary HLC. This is designed to enable a more cohesive, joined-up approach to delivering the Government's

APPLICABILITY TO VANCOUVER

The Shared Ownership Programme relies on the availability of low-cost land, which is in short supply in Vancouver. However, temporary modular housing constructed to house those experiencing homelessness demonstrates there are underused or vacant sites available in the City that may be available at a reduced rate. Given the priority and importance of addressing the City's homelessness crisis, it may be difficult to garner political and public support to use such sites for affordable home ownership.

The Shared Ownership Programme is resource intensive, given Housing Foundation acquires land and builds housing. Should the City of Vancouver explore a similar program, third party involvement would need to be identified. It may be worth considering if VAHA has the capacity and ability to explore an affordable ownership initiative along with its current mandate.

Recent legislative changes in New Zealand to require greater density in urban areas have shifted the housing typology secured through the Shared Ownership Programme. Feedback from Housing Foundation staff indicates it had become increasingly challenging to deliver affordable detached housing forms given the cost of land, and the new density requirements have helped project feasibility. This may also be applicable in Vancouver, as much of the City's residentially designated land has limited permissions for higher density housing forms. Should the City explore a similar Shared Ownership Housing Programme, additional density permissions in residential areas may be required. It will also be important to explore project financial feasibility, particularly around the necessity of senior government funding involvement.

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priorities for housing and urban development in New Zealand. Kāinga Ora has two key roles: being a world-class public housing landlord and partnering with the development community, Māori, local, and central government, and others on urban development projects of all sizes.

Other BC Initiatives

Other BC Initiatives

Whistler Housing Authority

The Whistler Housing Authority (WHA) is an independent municipally owned corporation of the Resort Municipality of Whistler created to oversee the development, administration, and management of resident restricted housing in Whistler. Embracing the goal of housing at least 75 per cent of employees locally within Whistler, the WHA continues to maintain and augment its inventory of resident restricted housing so that both rental and ownership accommodation are available and affordable for local income earners and retirees in perpetuity.

This model has been profiled extensively in Housing Guides – Metro Vancouver's "What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities" and BC Housing's "A Scan of Leading Practices in Affordable Housing" provide detailed commentary on the Resort Municipality's approach to provide affordable housing for residents. The model relies on community amenity and affordable housing funds generated from development being allocated towards market rental and entry-level home ownership. Other communities experiencing similar pressures have begun to explore a similar framework (e.g., Tofino's Price Restricted Resident Restricted home ownership program).

The Whistler model relies on an Employee Housing Service Charge to support the development of affordable housing. The bylaw requires developers of commercial, tourist, and industrial land to either build resident housing or contribute cash-in-lieu to the housing reserve fund. **Developers are required to provide $5,908 per employee, with the number of employees calculated based on formulas for each type of development or business**. Under this approach, it is the local business and development community that subsidizes resident restricted housing and provides workforce housing for the employees that are essential to the successes of local businesses. WHA does not employ an income test for its rental applicants. For ownership units, applicants must obtain a mortgage pre-approval for their desired unit type.

APPLICABILITY TO VANCOUVER

This approach depends on strong support from the business sector which is relied upon to finance new resident restricted housing for employees and retirees. Should this program be considered in Vancouver, a legal review would need to be undertaken to determine if an equivalent tax could be created and extensive consultation with the business community would be necessary to better understand what challenges employers are experiencing recruiting and retaining staff because of the cost of housing. It would also be important to ensure their buy-in of this approach, given the tax would be applied to new development.

Source: RDH, 1070 Legacy Way, Whistler Housing Authority. https://www.rdh.com/our-case-studies/1020-legacy-way-whistler-housing-authority-wha-passive-house/

Tofino, British Columbia

PROGRAM OVERVIEW

Resort communities such as Tofino experience unique housing pressures related to amenity migration, vacation homes, and tourism. The District of Tofino has taken a leadership role in affordable housing with the establishment of the Tofino Housing Corporation (THC), a municipal corporation owned by the District of Tofino. THC exists to fill the community housing need not met by the private housing market.

The District of Tofino originally established the THC in 2005. However, the funding model was not sufficiently defined or viable, and it was not possible to secure financing to support development. The conversation has changed since 2005 as Council and the community have started to recognize the significant challenge residents face in securing affordable housing. The re-launch of the THC is now supported by a renewed political commitment towards affordable housing initiatives.

THC has partnered with Catalyst Community Developments Society to provide 86 rental housing units over the next three to four years and has also initiated a price-restricted resident-restricted home ownership program. Tenants are anticipated to move into the first rental development in May 2022. It is anticipated price-restricted resident-restricted home ownership units will become available for purchase in 2022 or 2023. The home ownership program specifies the individuals eligible to purchase a home to be those who:

- Are Canadian or Permanent Residents;
- Have lived in the Alberni-Clayoquot Regional District for at least two of the last three years;
- Work full time in Tofino (i.e., an average of 26 hours per week for a year);
- Whose household makes no more than the amount applicable to the home for sale; and
- Do not own any real estate nor does their spouse or common law partner.

The purpose of this program is to provide ownership options for residents who can build some equity but does not necessarily allow for people to transition into market ownership. The price restrictions stipulate that the maximum resale price of the home can only rise at the same rate as the Core Consumer Price Index of Canada (CPI). CPI is a measure of inflation and varies from year to year. CPI has, on average, risen about 1.5% per year.

THC's financial model relies on land provided by the District of Tofino, Municipal and Regional District Tax Online Accommodation Platform (MRDT OAP) taxation, proceeds from the sale of homes provided through private development, DCC waivers, property tax exemptions, in-kind support from the District, grants obtained from senior government, and pre-development loan and mortgage financing at below-market terms. THC also requires a 2% purchase fee when price-restricted resident-restricted homes are sold, which will help to eventually support staff and other administrative costs.

Source: Vancouver Island Free Daily. Retrieved March 16, 2022.

APPLICABILITY TO VANCOUVER

Should a similar approach be considered in Vancouver, staff would need to analyze their current use of MRDT OAP revenue and assess if it would be feasible to redirect this revenue toward affordable housing initiatives.

Above and beyond the MRDT OAP revenue, this model relies on additional revenue sources (e.g., CACs, borrowing). Staff at THC indicated the program is structured to provide housing at 20% to 30% below market. In the Tofino context, THC staff specified land is about 5% to 10% of the budget, meaning the THC resident restricted program requires another 50% to 100% of the land value (e.g., cash or fee waivers) to make projects feasible. For instance, if the land is $400,000, the project would require another $200,000 to $400,000 to be viable.

Feedback received from THC indicated it has been challenging for interested purchasers to secure financing. Once a housing agreement is on title, it can be difficult to obtain mortgage insurance. Staff recommended early conversations and dialogue with larger banks and credit unions to determine a list of approved lenders in advance of launching an Affordable Home Ownership program.

When asked how the Tofino program might be applied in Vancouver, staff at THC suggested Vancouver contemplate a CAC credit in new apartment development. Similar to the District of Squamish's CAC Policy, developers would have the option to provide a certain proportion of units in new development as affordable or as employee/staff accommodation restricted to staff working in Squamish, secured and managed by a covenant and Housing Agreement. It was suggested a third party (e.g., VAHA) administer these units.

BC Housing Affordable Home Ownership Program

PROGRAM OVERVIEW

In 2018, the Province announced the creation of the BC Housing HousingHub to identify and advance innovative approaches to locate, use, or repurpose land in communities where affordability is an issue. The Affordable Home Ownership Program (AHOP) has been established through the HousingHub to support the development of homes affordable to middle-income households otherwise unable to access home ownership. The AHOP program has been developed over time through trial and error of one-off affordable homeownership projects. Past projects included units with perpetual affordability or temporary restrictive covenants. The objectives of the current program were primarily to simplify the administration and increase its flexibility, avoid the use of restrictive covenants,[34] and discourage households from staying in their unit in perpetuity instead of moving on to market dwellings.[35]

The AHOP combines the savings from reduced rate construction financing and other partner contributions to provide units at 5% to 20% below market value. Savings are found through municipal concessions (e.g., community amenity contribution, development cost charge, or property tax waivers, savings from expedited approval processes, density bonusing, parking relaxations, or other incentives), or other developer contributions. Some of the cost savings may be through intangible benefits such as time saved in the approvals or construction processes, or quicker sales to reduce financing costs. The difference from market value is secured via a secondary AHOP mortgage registered on title. The units are not discounted and are sold by the developer at full market value; however, the initial purchase price is lower for the buyer through the secondary equity shared mortgage.

[34] BC Housing found conventional lenders are hesitant to administer mortgages to dwellings with restrictive covenants
[35] It is yet to be determined whether households purchasing units through the AHOP program will build enough equity to move into a market dwelling in the future

KEY INNOVATION

A key objective of the program is simplicity: the AHOP offers a straightforward equity shared mortgage, which must be paid out by the purchaser within 25 years or at the time of sale. At the time of sale, the owner must share any appreciation with BC Housing (e.g., if the secondary mortgage was for 20% of the fair market price at the time of purchase, BC Housing must be paid 20% of the appreciation on top of its original contribution).

There is also an opportunity for AHOP homeowners to sell to another buyer who meets the AHOP income requirements. In this case, the shared equity mortgage can be transferred to the new buyer, reducing their purchase price correspondingly. There is no requirement to find a qualified AHOP buyer when reselling and the seller would retain the same share of the value regardless of who buys their property. When a home is resold to a buyer on the open market and the shared equity mortgage is paid out through the sale, the value of BC Housing's equity share is returned to the local municipality[36] to use for affordable housing initiatives.[37] This value returned to the municipality includes a proportional share of any appreciation experienced between the time of purchase and re-sale.[38]

This aspect is distinct from typical shared equity programs where the shared equity value comes from and goes back to the shared equity program administrator to use for new unit acquisitions. The savings are primarily derived from the project itself and then offered back to the municipality when a shared equity mortgage is paid out. As AHOP units are sold on the open market, additional equity would be required to maintain a similar level of affordability for new AHOP units if market prices increase.

One benefit of having no resale restrictions to maintain perpetual affordability is increased willingness by lenders to participate, perceiving a lower risk without restrictive covenants. A limitation of the program is the potentially time-consuming nature of individually negotiating each project relative to the benefit achieved; most AHOP units established to date are discounted[39] for the purchaser by a relatively small amount, and without resale restrictions a unit's affordability is a one-time benefit, for a single household, lost upon the first resale.

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[36] The value of the shared equity mortgage is only returned to the local municipality when it contributes to the project, in some cases municipalities may choose not to participate.
[37] A 1-2% administration fee may be retained by BC Housing upon the market sale of an AHOP unit.
[38] The municipality would also share the risk of any market downturns. The share of the sale received is based on the original shared equity mortgage ratio regardless of market appreciation or depreciation.
[39] AHOP units are not truly "*discounted,*" the builder receives full market price for the sale, but rather BC Housing enters a second mortgage to reduce the purchase price the buyer must qualify for. The purchaser must repay the second mortgage within 25 years or upon sale. Nonetheless, the experience for the purchaser is essentially a reduced, or discounted, market purchase with a proportional reduction in the sale price should they later decide to sell.

APPLICABILITY TO VANCOUVER

Should BC Housing's affordable home ownership program be considered in Vancouver, it will be important to understand its strengths and limitations. AHOP was launched in 2018, and while there are early learnings to consider, few projects have been completed to review and better understand the outcomes of AHOP in implementation. To be effective, a significant number of additional units at reduced prices would need to be approved.

- In high-density contexts, new apartment buildings participating in AHOP can provide a proportion of units at discounted rates. This increases the potential pool of eligible buyers for the AHOP units, but does not create additional supply, limiting the impact of the program. The level of savings varies depending on the level of incentive and number of AHO units being proposed; a recent AHOP project provided units at 10% below market rates[40].
- BC Housing has the administrative capacity to manage this program, which is appealing given the City does not currently have capacity to implement its own affordable home ownership program. However, to date AHOP projects in other cities have been negotiated on a one-off basis, requiring significant staff time.
- Without restrictive covenants, accessing financing is straight-forward. Buyers can contribute their down payment and mortgage and the remaining amount is secured through a second mortgage with BC Housing. This eliminates the need for the City to identify lenders interested in participating in this program, which is a strength of the AHOP model.
- Affordable home ownership programs typically prioritize security of tenure through perpetually affordable units or one-time affordability which allows for wealth generation. AHOP provides one-time affordability, which can allow households to move into market ownership upon the sale of their AHOP unit. However, it is also time consuming and labour intensive to produce these units which lose their affordability when sold on the open market. If the local government has contributed to the initial discount through fee waivers or other policy mechanisms, they can recoup their costs when a unit is sold. The City of Vancouver will need to determine if prioritizing one-time affordability fulfills their policy objectives.

[40] A 49-unit apartment building in Victoria will provide nine units for families, seniors and individuals with middle incomes. Qualifying buyers must have a combined household income no greater than $116,330 for the units with fewer than two bedrooms and an income no greater than $163,220 for the two-bedroom units. The remaining 40 units will be sold at market value.

Engagement Results

Engagement Results

As part of the affordable home ownership study, the project team completed several engagement activities to better understand the perspective of residents and industry professionals. The feedback received through consultation has been used alongside the case studies to determine possible approaches for an affordable home ownership program in Vancouver.

Non-Owner Survey

Mustel Group was retained to assist with the creation of a virtual survey among Vancouver residents who are not currently homeowners and between 25 and 55 years of age. The purpose of the survey was to understand the home ownership needs and preferences of this group in terms of housing typology, number of bedrooms, and neighbourhood, while also testing their interest in possible affordable home ownership programs. Mustel Group's report is provided in Appendix B, while their main conclusions are summarized below.

METHODOLOGY

To achieve the objectives of this research, an online survey methodology was employed, using Mustel's Group's own research panel, *Giving Opinions,*[41] supplemented by panel partner *Asking Canadians.*[42]

The following screening criteria were used to qualify respondents for the survey:

- Must be a resident of the City of Vancouver;
- Must not own their home and must not have owned property in Metro Vancouver within the past 5 years;
- Must be interested in purchasing a home as a primary residence; and
- Must be 25 – 55 years of age.

A total of 506 residents were surveyed, of which 447 met the qualifying criteria and completed the full survey. The remaining 59 respondents were not interested in owning a home and were therefore excluded from the survey.

[41] Giving Opinions is a proprietary research panel owned and maintained by Mustel Group. All Giving Opinions panelists have been recruited via a random probability sampling method.

[42] Asking Canadians is a reputable national panel, representative of the Canadian population. Panelists are recruited by a double opt-in method from large databases of reputable channels using industry standards of panel quality assurance, validation, verification, and best practices for panel management. Panelists receive point system rewards for participation in surveys.

The sample was weighted on the cross section (including all 506 respondents) to match the 2016 Canada census stats based on age, gender, and neighbourhood to bring the total sample into proper proportion based on relative populations.

KEY FINDINGS

Appeal of Home Ownership

- Among non-homeowner survey respondents, the top 3 reasons why home ownership is appealing are the ability to build equity (61%), security of tenure (46%), and control over design and renovations (36%).
- The top reason non-owners provided for why home ownership is appealing is the ability to build equity (37%), followed by security of tenure (24%).
- Other common reasons include more outdoor space (31%), no restrictions on pets (30%), and potential for rental income (23%).
- Respondents 45 – 55 years of age were more likely to rank more outdoor space as a top reason of home ownership appeal compared with those 25 – 44, as were females over males and couples over singles.
- Households earning $100,000 to $149,000 were the most likely to mention “ability to build equity” in their top 3 reasons why home ownership is appealing.

Housing Needs & Preferences

- Overall, most respondents would require two bedrooms or more, with nearly one-half needing a home with two bedrooms (47%) and one-third needing a home with three bedrooms (30%).
- Those with children are somewhat more likely than those without to need three of more bedrooms.
- Townhouse/rowhouse, condominium, and single-detached house are the top 3 preferred home types with the latter being the topmost choice (mentioned by nearly one-half of respondents).
- Preference for condominiums is strongest among the youngest age segment (68% among 25- to 34-year-olds, compared with 50% among 35- to 55-year-olds, and 48% among 45- to 55-year-olds). Similarly, men and those without children are somewhat more likely to prefer this housing type.

- Those with children are more likely than those without to prefer a single-detached home, as are couples compared with singles.
- Couples without children are the most likely to prefer a townhouse/rowhouse, as are households earning greater than $60,000 per year.
- Coach houses/laneway houses are most popular among those 45 to 55 years of age.
- Overall, among those who mentioned not able to afford homes in their preferred neighbourhoods as a barrier to home ownership (n=164), Kitsilano is the most preferred (40%), followed by Mount Pleasant (30%), West End (26%), and Downtown (22%).
- Mount Pleasant is more popular among those under 45 years of age, while Kerrisdale is more popular with those under 35 years of age.
- Women are somewhat more likely than men to show a preference for Fairview (24% vs 10%) and Grandview-Woodland (17% vs 6%).

Size and Source of Down Payment

- Most respondents (66%) could afford a down payment of $100,000 or less if purchasing a home in the next three years.
- For most respondents, personal savings would be the primary source of funds for a down payment (84%), following by a loan from a financial institution (39%).

Barriers to Home ownership

- The top 3 barriers to home ownership are: cannot afford down payment (58%), cannot afford monthly ownership costs (39%), and a lack of affordable homes in desired neighbourhoods (36%).
- The top barrier to home ownership, mentioned by more than one-third of respondents, is not being able to afford the down payment (38%).
- Households earning greater than $150,000 per year are the most likely to mention "the available homes I can afford are not the type of housing I'm interested in" as their top barrier to pursuing home ownership (26% vs 10-17% among other income categories).
- Couples are somewhat more likely than singles to mention homes within price range do not have desired number of bedrooms or space (10% vs 2%) as a barrier.

Interest in Affordable Home ownership Programs

- Similar levels of interest were expressed for the two programs tested in the survey, with 67% showing interest in a program that would appreciate at roughly the rate of inflation, and 65% in a program that would offer a portion of market appreciation upon selling.
- Couples showed more interest than singles in the program that offers a portion of market appreciation upon selling (12% vs 4%).

Non-Owner Focus Group

Through the non-owner survey, Mustel Group identified respondents interested in participating in a virtual focus group. Those who expressed interest were invited to attend an evening focus group in December 2021. Six attendees provided detailed feedback on elements of affordable home ownership programs, as well as their thoughts on housing preferences. A copy of the mural board completed during this focus group is found in Appendix C.

HOUSING PREFERENCES

Do you think home ownership is realistic in Vancouver?

- Respondents felt home ownership to be unrealistic unless substantive policy changes were to occur. While there are homes available for purchase that are affordable to certain focus group participants, these homes do not meet their needs (e.g., they can only afford small apartments but have children and need more space).

What is the primary reason you would like to own?

- Respondents referenced a desire for increased stability and security which they saw to be an outcome of home ownership as compared to renting. However, certain respondents indicated they would be interested in rental housing, should it be stable and secure over time.
- Home ownership was also seen as a mechanism to support retirement. There was a recognition among participants that housing should not be a commodity, while also acknowledging the money paid toward a mortgage would be beneficial in retirement.

What features would you prioritize when looking for a home?

- Respondents focused on size, location, and design when discussing housing preferences. Typology did not appear to be as important as location (particularly a walkable neighbourhood close to stores, schools, etc.) or the actual design and style of a home.

- The number of bedrooms was referenced by many focus group attendees as a limiting factor in their search for housing that meets their needs.

Considering your desired features, which housing types would you be interested in purchasing to live in? Why those types?

- Certain participants referenced the appeal of housing forms, such as townhouses and low-rise apartment buildings, however, most attendees primarily focused on design.

Would you be interested in forms of housing other than your ideal choice(s) if it meant a shorter commute and greater affordability?

- Generally, participants would be interested in forms of housing other than their ideal choices if it meant greater affordability. With the importance of location, most participants were not interested in leaving the City of Vancouver for their preferred housing form. Feedback received focused primarily on livability and how design can create community.

TRADE OFFS

If you were able to purchase a dwelling at a price affordable to you, but couldn't rent it out (i.e., you had to live in it yourself), would you still be interested?

- Several respondents remained interested in purchasing a dwelling at an affordable price regardless of rental restrictions, but others did flag flexibility would be helpful to accommodate unexpected life events (e.g., short sabbatical, care for an older family member in a different city). Most respondents referenced their desire for a home, not a commodity to be rented out on a short-term basis.

If you owned a unit through an affordable home ownership program, and could only sell to another eligible household at a reduced profit in the future, would you still be interested?

- Most respondents were supportive of this requirement to only sell to eligible households for a reduced profit and emphasized the importance of 'decoupling housing from the larger market'. While there was desire to gain some of the profit attributable to appreciation, most respondents specified the current gains homeowners receive upon sale are not sustainable.

What is more important to you – owning in Vancouver or owning your preferred type of housing elsewhere?

- Most respondents highlighted a desire to remain in Vancouver, given community connections and an appreciation for the quality of life in the city.

If buying a unit through an affordable home ownership program meant you could not sell at all for a period of time, how many years would you be willing to accept?

- Similar to the feedback received on the trade-off question related to rental housing, participants were predominantly supportive resale restrictions for a certain period of time but referenced a desire for some flexibility. It was challenging for participants to specify a certain number of years they would be willing to accept.
- Participants referenced life circumstances may require you to sell earlier than intended. If sales occur earlier than the program framework, some form of penalty may be appropriate (e.g., no profit gain if the home is sold within 5 years of purchase). There was a consensus that longer restrictions would need greater gains, as people are willing to put with stricter arrangements if there is a larger pay-off.

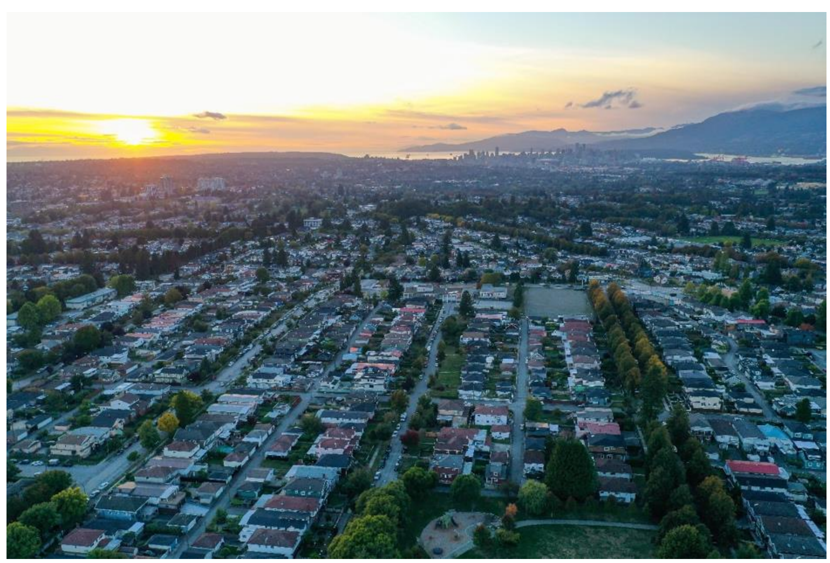
Housing Sector Focus Group

In February 2022, a virtual focus group was held with representatives from non-profit housing providers and developers involved with affordable housing initiatives. Participants also included staff from senior levels of government, including BC Housing and CMHC. This focus group provided an opportunity for the project team to share work to date and discuss what an affordable home ownership program might look like in Vancouver. Key takeaways from this discussion group are provided below:

- Participants recognized there is **no one program that would solve all affordability challenges** and there are benefits to exploring several AHO models in Vancouver. Feedback received was supportive of multiple programs to address distinct policy objectives. It was also shared that flexibility is important to ensuring there are different options that can address need across the housing continuum. Overall, participants felt affordable home ownership programs tend to target middle-income households, particularly younger professionals without access to significant family equity.
- **Successful AHO models rely on City support through the permitting and zoning processes**, particularly through a density bonusing framework. Feedback received focused on the impact

of eliminating costly and time-intensive rezonings. The City's recent initiative to pre-zone certain areas to allow rental housing of up to six storeys was applauded.

- Participants emphasized the need to communicate with the public about **attainability, as opposed to affordability.** Affordability means different things to different households and can be a contentious topic. Focusing on attainability shifts the conversation to housing choice and policy programs that can create more options for middle-income households.
- Participants referenced the **desirability of Vancouver's established neighbourhoods**. Many Vancouver residents cannot access housing that meets their needs in areas reserved for single-detached housing. Workshop participants outlined the opportunity that exists to allow for denser housing forms in these neighbourhoods. Participants specified speculation can be mitigated by requiring projects to provide a proportion of units at affordable rates. Should additional density permissions be explored, participants felt it important that these changes be implemented across the city and not just in selected areas/neighbourhoods.
- Feedback received focused on the **importance of access to capital and long-term operational takeout financing.** Without funding from senior government, it would become more challenging to realize projects and affordability will be reduced.
- Participants referenced the **challenges potential purchasers may experience in securing financing** when restrictive covenants are registered on title. Market developers and lending institutions can more easily participate in programs that closely resemble a normal sales process. Feedback received from participants focused on the need to build capacity among lenders to ensure they are comfortable supporting households interested in purchasing units that are part of an affordable home ownership program.
- Workshop participants focused on the opportunity to explore a **social marketing campaign around housing form** and how different typologies can provide increased attainability. There was an understanding that people may need to shift their expectations and desire for particular housing forms.



Conclusions and Considerations

Conclusions and Considerations

Key Findings

THE GROWING GAP BETWEEN WHAT IS AFFORDABLE AND WHAT IS AVAILABLE

While affordability challenges have historically been typical for many households in Vancouver, the gap between what households can afford and the price of housing has accelerated in the last 20 years. As of 2001, and especially after 2011, the gap between the income required to afford an apartment and median incomes began to rapidly diverge. Many Vancouverites are priced out of home ownership and have limited stable and secure housing options that meet their needs. Additional supply can help to address some of these concerns, providing housing choice and allowing for greater mobility across the housing system.

NON-OWNERS WANT TO OWN BUT CANNOT AFFORD COSTS OF HOME OWNERSHIP

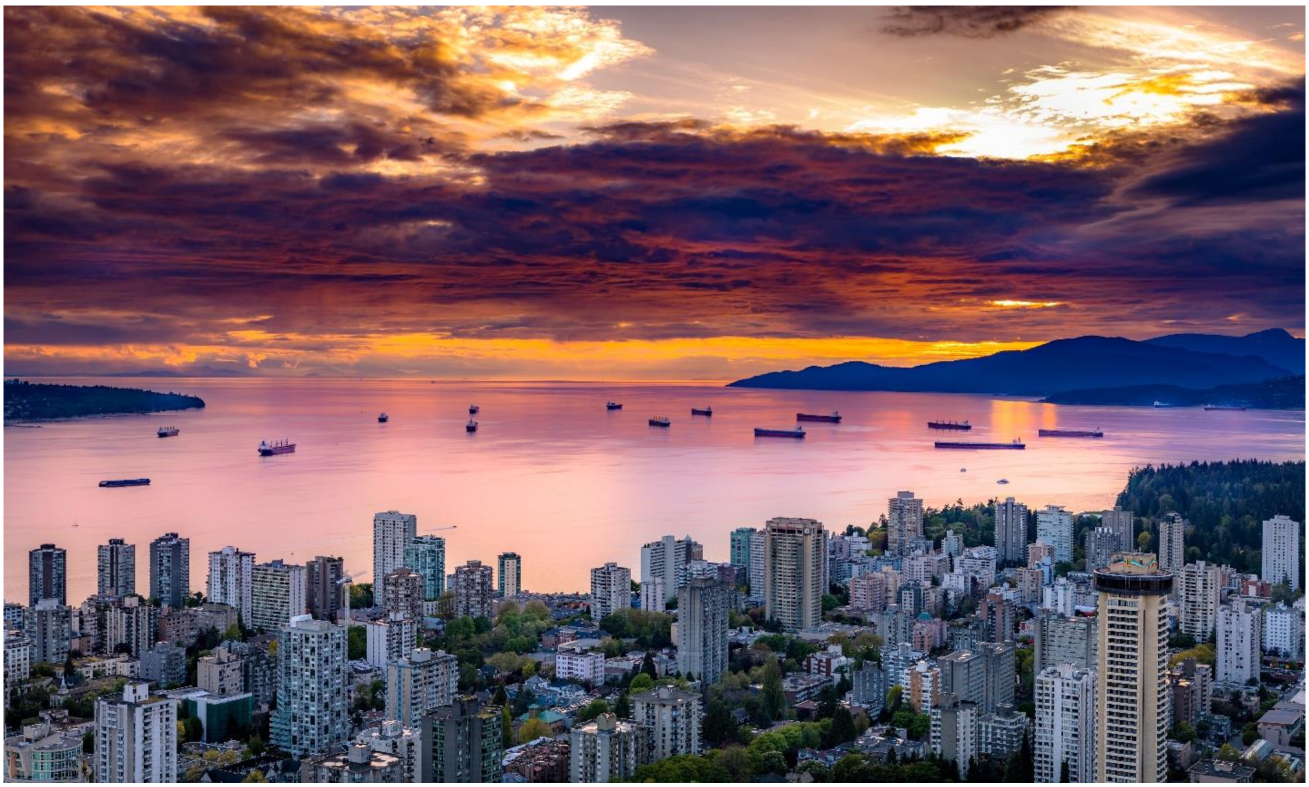
Home ownership is highly desirable among surveyed renters, especially because of the ability to build equity in the home and the security and stability achieved by ownership compared to renting. While non-owners want to own, home ownership is out of reach due to cost. The price point of housing is a significant barrier for people looking to enter the market, and while certain homes may be affordable, they do not always meet the needs of prospective owners (e.g., location, number of bedrooms).

NON-OWNERS PRIORITIZE DESIGN AND LOCATION OVER TYPOLOGY

Ground-oriented housing options remain the most desirable housing forms among prospective homeowners. This is mainly driven by the appeal of larger units (2+ bedrooms) as well as outdoor space, natural light, and privacy. When probed, research participants showed a high level of interest in other housing forms (i.e., apartments) especially when they offered similar amenities as detached homes.

Research participants emphasized livability and how design can create community. Being in a walkable neighbourhood, close to stores, schools, and other amenities, appeared to be of greater importance than housing type (e.g., detached house, townhouse, apartment). For many, living in Vancouver, or in their particular neighbourhood, was more important than living in a certain form of housing.

Several participants referenced the stress and trauma associated with eviction and highlighted a desire to own in their current neighbourhood to ensure they can maintain their existing networks and relationships. Participants indicated rental may be more appealing, if it were more secure, as staying in their local community was a high priority.



AFFORDABLE HOME OWNERSHIP PROGRAMS TARGET MIDDLE-INCOME HOUSEHOLDS

Numerous affordable home ownership programs have been created in jurisdictions grappling with rising housing costs, including local examples like the Whistler Housing Authority. Many of these policies target households with income levels just below or above median incomes, with the understanding that non-market rental housing-programs are needed to support households earning less than the median income. Case study research completed for this project provides a sense of which households are typically intended as the recipients of affordable home ownership programs:

Table 8: Area Family Income Targets – Case Study Areas

Case Study	Target Household Income
Montgomery County, Maryland	No more than 70% of Area Family Income[43]
Champlain Housing Trust, Burlington Vermont	No more than 80% Area Family Income
Portland, Oregon	No more than 80% Area Family Income
Housing Foundation, New Zealand	Between $65K-$100K NZD or $56,800-$87,000 CAD

What would the equivalent middle-income cut-offs be in Vancouver?

Table 9 provides an example of the income thresholds and maximum purchase price that would be affordable for a couple household with two children in Vancouver. Most affordable home ownership programs target households earning just below or slightly above median income. Targeting lower income households is possible but challenging. Low to moderate households are typically supported through subsidized rental programs.

[43] Area Family Income (AFI) describes median household income by family size. In this application, it results in higher income cutoffs the more individuals in a household.

Table 9: Purchase Price Potential for Two-Person, Two Children Household (Before-Tax Area Median Income, 2019) – Vancouver

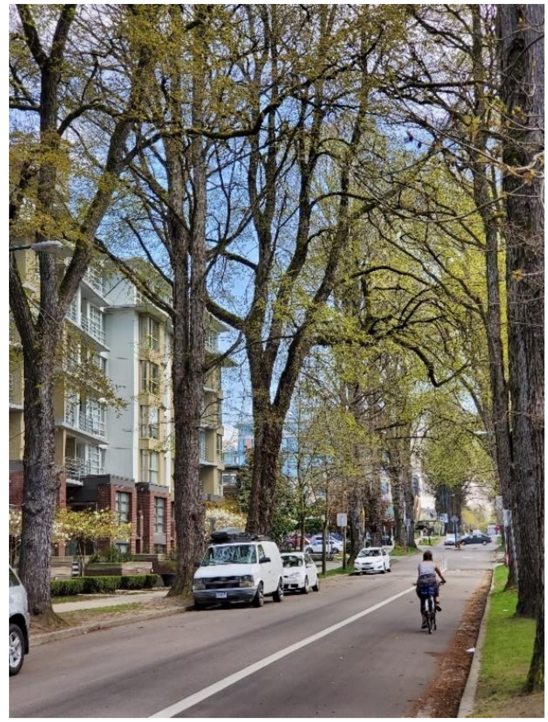
Target Income Threshold as % of Area Median Income	Household Before-Tax Income	Maximum Purchase Price[44]
60%	$82,440	$310,655
80%	$109,920	$429,945
100%	$137,400	$549,230
120%	$164,880	$684,500

Most affordable home ownership programs provide income cut-offs by size of household, meaning a couple family with more than two children would have a higher income cut-off than the numbers outlined above. In the Vancouver context, it is possible only higher income single person households will be able to access an affordable home ownership program.

The Small Housing BC's Permanently Affordable Homeownership Study (2019) found it is possible to develop affordable home ownership units of approximately 900 square feet for households with incomes of $58,818 - $97,558 (see Table 12 on page 85). Prices in this range would likely be affordable to both couple middle income households, and single person upper-middle income households. Given this study was completed in 2019, it will be important to update this analysis to determine what is currently feasible in the Vancouver context.

[44] Maximum purchase price is based on qualifying for the current stress test rate (5.25%) with a 25-year amortization and no more than a 32% gross debt service ratio. The lowest possible down payment is assumed (5%). When purchase prices surpass $500,000, minimum down payment requirements increase (the minimum down payment for the maximum purchase price affordable to a household with 100% of AMI is 5.5% and for 120% of AMI is 6.4%). Maintenance/strata fees ($200/month), heating ($90/month), and property taxes (based on the 2021 mill rate) are also considered in the qualification calculations.

AFFORDABLE HOME OWNERSHIP PROGRAMS DEPEND ON INCENTIVES



To provide housing at below market prices, incentives are required. The amount of incentive needed to subsidize the cost of housing sold at below market prices depends on the context. Detailed financial analysis can help to determine how much incentive is needed to offset costs associated with providing below-market housing. An incentive framework also depends on policy priorities. For instance, providing housing affordable to households earning 60% of the AMI will require more incentive than housing affordable to households earning 100% to 120% of the AMI. Similarly, one person households will generally have less buyer power than a couple household.

Density bonusing is a common tool used by municipalities to incentivize and secure affordable home ownership units. It is important to be strategic about how this tool is used, as density is a relatively finite resource and one of the more powerful mechanisms available to a local government. Case study research demonstrates how density bonusing is used to secure a range of housing in different jurisdictions, from below-market rental housing to affordable home ownership. In the City of Vancouver, density bonusing is typically used to secure social housing and rental housing in higher density areas. Given density bonusing is not widely applied in the City's detached neighbourhoods, there is an opportunity to initially focus an affordable home ownership program in these lower density areas.

THERE IS DESIRE FOR A CLEAR AND FLEXIBLE POLICY FRAMEWORK

Research participants highlighted the issues that arise when approvals are subject to lengthy negotiation and emphasized the positive impacts of "pre-zoning" for higher density development with clear affordability expectations.[45] One participant remarked that "**rezonings are the enemy of affordability**" given the lengthy wait times, risk and uncertainty of the regulatory process, and the associated escalation of costs. Pre-zoning or city-wide up-zoning initiatives have been

[45] Pre-zoning is often used to describe how the zoning in selected areas is changed by local government to achieve the density/housing typology that matches the community's goals for the area. This is in contrast to maintaining lower density zoning districts which then anticipate or encourage owners and developers to re-zone to a higher density use/form. With re-zonings, a local government is more often able to negotiate amenity charges or other contributions that would not be possible with a more permissive zoning district.

proposed and implemented in multiple jurisdictions as of late (e.g., C2 zones in the City of Vancouver, minimum density residential zoning requirements in New Zealand), permitting more affordable multi-unit development in areas previously reserved for single-detached housing.

A clear and flexible policy framework reduces the time spent negotiating one-off projects. Standardized policy and incentive structures to secure new housing provide certainty to applicants and can result in more units being secured, as less time is needed to determine parameters for each project. Simultaneously, a standardized approach will require less dedicated staff time (or an alternate non-profit or City subsidiary) to manage housing programs than for one-off negotiations.

How might "pre-zoning" deliver affordable home ownership units?

Rezoning areas for higher-density development can result in increased land value ("land lift") due to allowing more economically productive use of the land. Land lift represents someone being willing to pay a higher price for a given piece of land. The City of Vancouver typically negotiates around 75% of the land lift value as a Community Amenity Contribution (CAC), to be used toward priorities like: affordable housing; parks and open spaces; childcare facilities; community facilities; transportation and public realm; and arts and culture spaces.

By embedding an affordability requirement into pre-zoned areas, land lift is diminished because the economic value of the new density is reduced. The provision of below market housing effectively serves as the CAC contribution, because a developer will pay a lower price for a piece of land with less economic value, which in turn reduces the price of the housing they build.

For properties pre-zoned for affordable housing, rather than increasing land prices and then requesting the value back as an amenity contribution, the upfront affordability requirement directly reduces the amount of land lift generated while also securing affordable housing. If affordable units are not provided, a re-zoning (and CAC contribution) could still be required.

AHO PROGRAMS SHOULD ADD TO, RATHER THAN REPLACE, EXISTING SUPPLY PROGRAMS

Within the housing system, there are two primary streams of supply: non-market housing and market housing. These overarching categories contain further sub-types, such as purpose-built rental housing and condominium apartments on the market side of the housing spectrum. To make a substantive impact on the current system, affordable home ownership programs should create opportunities to add supply to a specific stream within the housing market, effectively creating a distinct option outside of the existing categories.

It is important to recognize the distinction between adding new affordable supply and discounting market units. When market housing is constructed, units are marketed to a pool of eligible buyers based on their financial capacity to purchase. If units within that development are discounted, the group of possible purchasers grows to include people previously excluded due to their income. This means more people can now bid on the same number of units—supply has not increased by providing a discount. These units would have been built with or without government intervention.

> "**You've got to grow the pie**, otherwise you are competing with other nonprofits. As soon as you are competing, you are dealing with lost opportunity."
>
> – *Interview with Champlain Housing Trust*

For example, first-time home buyer grants or discounts increase the pool of buyers for a unit (i.e., demand is increased) but not the total stock of dwellings. This can potentially lead to increasing market prices all else being equal. Affordable home ownership programs that create a new sub-market can contribute new supply, adding more units overall, while also increasing the number of eligible households to purchase them. It is vital to increase the amount of supply (new housing starts) relative to demand if improvements to affordability are to be achieved.

An example of such an approach would be allowing new multi-unit development in low density neighbourhoods while requiring a certain proportion of the units to be discounted over the long term or in perpetuity. These units form a new development sub-stream to create additional affordable supply that would not otherwise be built.

AFFORDABLE HOME OWNERSHIP PROGRAMS REQUIRE ADMINISTRATIVE CAPACITY

Affordable home ownership is a complex policy initiative, typically involving income testing, waitlists, legal mechanisms such as restrictive covenants, and homebuyer education programs and financial literacy training. While each affordable home ownership program is distinct, there is general recognition that sufficient administrative capacity is a common component of most affordable home ownership programs. In American contexts, it is typical to see the local government perform the administrative function, as other housing programs are often administered in-house and there is an ability to scale up internal operations to manage an affordable home ownership program. Other models rely on external involvement from non-profits, land trusts, or city subsidiaries. Conversations with City staff indicated that Vancouver does not currently have the capacity to administer an AHO program. Given the City's current capacity limitations, partnership-based approaches to AHO are recommended.

SUCCESSFUL AFFORDABLE HOME OWNERSHIP MODELS ARE LONG-TERM POLICY EXERCISES

Affordable home ownership programs from other jurisdictions illustrate the timeframe that is needed to achieve results on this sort of policy initiative. For many of the programs profiled, a long-term time horizon was integral to achieving a significant number of affordable units. Affordable home ownership programs are complex and typically rely on sufficient administrative capacity, economies of scale, standardized processes, and possible self-sustaining financing mechanisms. Such systems need time to adequately develop. Case study research demonstrated many of the more successful affordable home ownership programs have been in operation for more than 20 years.

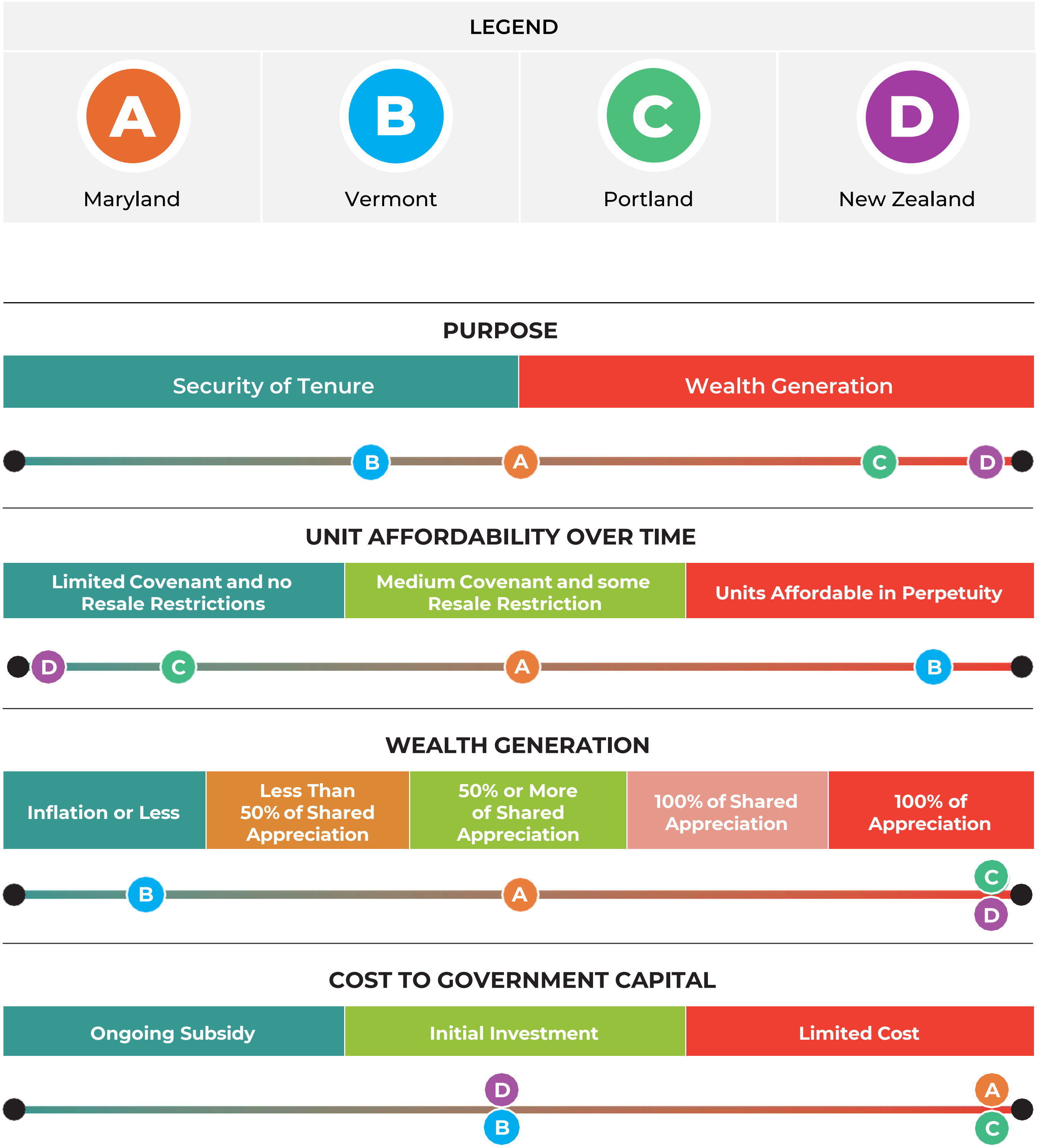
THERE IS NO ONE-SIZE FITS ALL APPROACH TO AFFORDABLE HOME OWNERSHIP

Affordable home ownership takes many different forms, depending on local context and policy priorities. Given that each approach has benefits and trade-offs, a combination of approaches could accomplish more comprehensive outcomes than one affordable home ownership program. For instance, programs delivering home ownership units affordable in perpetuity creates a protected below market housing option that may require ongoing monitoring through legal covenants and additional up-front assistance for households to secure financing. Buyers under this model do not build as much wealth, as the appreciation of home prices is suppressed to maintain affordability for the next owner. It may be challenging for households selling their homes at such reduced rates to later access market ownership. However, this form of affordable home ownership typically provides long-term stability and security of tenure. There may also be limited housing mobility created through these units as households may not be able to transition into the private market and may not want to return to rental housing.

Conversely, affordable home ownership programs that produce "one-time" affordability, do not restrict future sale prices, which allows participants to realize the gains of real estate appreciation in the market and it may allow them to step up the market in a sense (i.e., moving from a small condo to a bigger condo or a townhouse). The associated trade-off with this approach is the resources and time needed to continuously deliver housing that is not secured as affordable for future purchasers. As illustrated in Table 10 on the following page, affordable home ownership models explored in this report illustrate a range of benefits and trade-offs.

Table 10: Affordable Home Ownership (AHO) Case Study Summary

AHO PROGRAM	MECHANISM	DEPENDENT UPON	MUNICIPAL CONSIDERATIONS
A MPDU Maryland	Inclusionary (subdivision scale) Density bonusing	Private market development	**Role:** Full time staff team administers program through development approvals, but no direct capital cost. **Target Household Affordability:** No more than 70% Area Median Income **Benefit:** Highly productive program, generating an average of 5%-10% of County's total housing units on an annual basis **Challenge:** Administration requires in-house staff team
B CHT SEP Vermont	Land trust Shared equity ownership	Capital funding from government sources for unit acquisition	**Role:** Municipality contributes property tax revenue (0.01%) to trust fund-based grant program. **Target Household Affordability:** No more than 80% Area Median Income **Benefit:** Produces ownership units affordable in perpetuity, administered by non-profit **Challenge:** Requires upfront capital funding for unit acquisition
C RIP Deeper Affordability Portland	Inclusionary (small lot / infill scale) Density bonusing	Non-profit development; capital funding to achieve units affordable within income limits	**Role:** Municipal development application processing similar to other project types. With significant uptake, department may need to scale up. **Target Household Affordability:** No more than 80% Area Median Income **Benefit:** Decentralized small scale, market driven approach with clear pre-zoned requirements **Challenge:** Viable projects likely require additional funding to achieve deeper affordability options
D Housing Foundation New Zealand	Shared equity ownership Incremental buy-back	Availability of low-cost land for developing affordable units	**Role:** No direct municipal involvement. Dependent on access to cheap land and senior government funding is helpful but not necessary. **Target Household Affordability:** \$65K-\$100K NZD or \$56,800-\$87,000 CAD **Benefit:** Provides a shared-equity mortgage with opportunity to buy additional shares over time **Challenge:** Resource heavy implementation with multiple associated programs


LEGEND
A
Maryland
B
Vermont
C
Portland
D
New Zealand
PURPOSE
Security of Tenure
Wealth Generation
B
A
C
D
UNIT AFFORDABILITY OVER TIME
Limited Covenant and no Resale Restrictions
Medium Covenant and some Resale Restriction
Units Affordable in Perpetuity
D
C
A
B
WEALTH GENERATION
Inflation or Less
Less Than 50% of Shared Appreciation
50% or More of Shared Appreciation
100% of Shared Appreciation
100% of Appreciation
B
A
C
D
COST TO GOVERNMENT CAPITAL
Ongoing Subsidy
Initial Investment
Limited Cost
D
B
A
C

LEGEND

A	B	C	D
Maryland	Vermont	Portland	New Zealand

COST TO GOVERNMENT OPERATIONS

Full-time Staff Department	Limited Staff Involvement

RISK TO GOVERNMENT

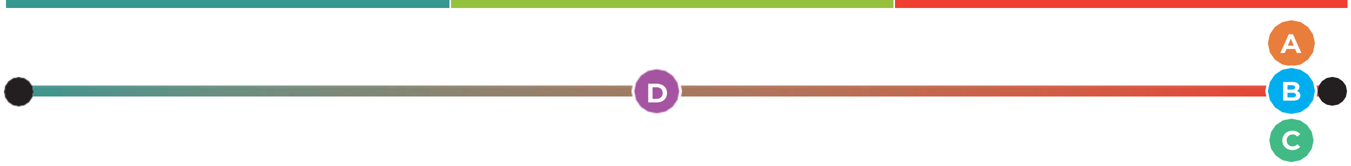
Reliant on Private Market	Some Equity Contributions	Primary Funder/Debt Holder

EASE OF IMPLEMENTATION

Significant Involvement	Some Involvement	Limited Involvement

SCALABILITY

Program Tailored to Each Application	Program Has Some Flexibility	Standardized Program



Affordable Home Ownership in Vancouver

Based on the feedback received from non-owners, non-profits, and developers, as well as case study research, affordable home ownership in Vancouver could be secured through a variety of mechanisms. There is a clear opportunity to increase supply in all the City's neighbourhoods, and particularly in lower-density neighbourhoods, given the limited density that is currently allowed as-of-right. Through this upzoning, the AHO policy could require that a proportion of additional units be reserved for middle-income households. Such an approach warrants a review of the City's density bonus framework to ensure there are also opportunities for affordable ownership in areas outside of the City's low-density neighbourhoods. The pathways outlined below illustrate possible avenues for consideration should the City decide to move forward with an affordable home ownership program.

It is important to note that each of these policy approaches or programs offer certain benefits and trade-offs. By exploring several different avenues to affordable home ownership, the City may be able to achieve a variety of policy objectives. Given there is not a one-size-fits-all approach to affordable home ownership, a multi-faceted policy framework with many streams or pathways may be worthy of further consideration.

MARKET APPROACH

- **There is an opportunity to add additional supply in the City's neighbourhoods.** Through pre-zoning, additional density can be permitted as-of-right, with a requirement to provide a proportion of the additional units for middle-income households. These units would be secured with a legal covenant to ensure affordability in perpetuity. By requiring affordable units, land lift would be limited, and the affordable units would effectively serve as the CAC contribution.
- **Currently, it is challenging for many Vancouver households to access housing in the City's low-density neighbourhoods.** Statistician Jens von Bergmann summarizes "thirty-five per cent of all households live on single family and duplex properties making up 81% of Vancouver's residential land, while the remaining 65% of households live on 19% of the

residential land."[46] Opening these neighbourhoods to multi-unit development provides for increased housing choice and creates a more equitable housing system. When asked to identify barriers to home ownership, 36% of non-owner survey respondents referenced **a lack of affordable homes in desired neighbourhoods.**

- **New policy programs require administrative support.** Currently, the City of Vancouver does not have established in-house capacity to administer this sort of program. The program administrator would be responsible for engaging with interested applicants, monitoring a potential unit waitlist, checking household income against eligibility thresholds, and potentially providing homebuyer assistance or financial training. Alternate organizations or groups could be responsible for program maintenance, such as community foundations, non-profit organizations, City subsidiary organizations, or other well-capitalized entities with capacity and interest to facilitate such a program. It is important to note many affordable home ownership programs charge an administrative fee to program applicants which allows programs to eventually become self-sustaining after an initial capital commitment is made to launch operations.
- **While an AHO program would require ongoing administrative support, there are potential benefits associated with implementing a standardized approach across the city.** Feedback received from non-profits and developers outlined the need for clear and consistent policies, which could be achievable through this approach to affordable home ownership. This kind of program would eventually allow for economies of scale as program administrators would be able to rely on standardized templates and materials, following initial start-up costs. By setting a clear framework, negotiated one-offs would be limited.
- **Previous studies have outlined a possible framework to permit additional density and require affordable units in the City's low-density residential neighbourhoods.** This sort of analysis would likely need to be updated to ensure the program is economically viable in today's context. The scenarios reviewed as part of the Permanently Affordable Homeownership (PAH) Report are profiled in Table 11 on the following page and demonstrate possible options to accommodate additional density while providing a proportion of new units at discounted rates. The scenarios explore units between 900 and 1080 square feet which are able to accommodate both 2- and 3-bedrooms configurations.

[46] Jens von Bergmann, "SDH Zoning and Land Use: How Much Land Do Single Detached and Duplex Houses Consume?" *Mountain Math* (blog), June 17, 2016.

Table 11: Permanently Affordable Homeownership Scenario Density Parameters[47]

Scenario No.	Lot Details	Number of Units	Existing Allowable Density (FSR)	Bonus Density	Total Allowable Density (FSR)
1	33 x 120-feet	2 market + 2 non-market	0.7	0.23	0.93
2	33 x 120-feet	3 market + 1 non-market	0.7	0.23	0.93
3	33 x 120-feet	4 market + 1 non-market	0.7	0.50	1.20
4	50 x 120-feet	4 market + 1 non-market	0.7	0.18	0.88
5	50 x 120-feet	5 market + 1 non-market	0.86	0.17	1.03

- This analysis demonstrates what might be feasible on standard City of Vancouver residential lots. **Depending on unit size and number of below market units, the discounted homes would sell for 30% to 46% below market value.** Given this study was completed in 2019, it will be important to update this analysis to determine what is currently feasible in the Vancouver context. The high-level of affordability the discounted units can deliver is illustrated in Table 12 on the following page.

[47] Small Housing BC. Permanently Affordable Homeownership (PAH): A Feasibility Study. 2019.

Table 12: Permanently Affordable Homeownership Scenario Unit Prices and Qualifying Incomes[48]

<table>
<tr><th rowspan="2">Scenario Details</th><th colspan="2">PAH Market Units</th><th colspan="2">PAH Non-Market Units</th></tr>
<tr><th>Net Sale Value</th><th>Annual gross household income required</th><th>Net Sale Value</th><th>Annual gross household income required</th></tr>
<tr><td rowspan="2">Scenario 1
2 market +
2 non-market
(0.7 + 0.23 FSR)</td><td rowspan="2">$1,117,722</td><td rowspan="2">$166,345</td><td>$770,578</td><td>$94,351</td></tr>
<tr><td>$799,326</td><td>$97,558</td></tr>
<tr><td>Scenario 2
3 market +
1 non-market
(0.7 + 0.23 FSR)</td><td>$1,117,722</td><td>$166,345</td><td>$452,148</td><td>$58,818</td></tr>
<tr><td rowspan="2">Scenario 3
4 market +
1 non-market
(0.7 + 0.5 FSR)</td><td>$932,149</td><td>$150,771</td><td rowspan="2">$450,421</td><td rowspan="2">$64,795</td></tr>
<tr><td>$1,089,524</td><td>$174,827</td></tr>
<tr><td>Scenario 4
4 market +
1 non-market
(0.7 + 0.18 FSR)</td><td>$1,165,047</td><td>$190,219</td><td>$517,213</td><td>$74,982</td></tr>
<tr><td>Scenario 5
5 market +
1 non-market
(0.86 + 0.17 FSR)</td><td>$1,026,716</td><td>$168,651</td><td>$508,297</td><td>$76,945</td></tr>
</table>

[48] The SMBC PAH report tests affordability assuming a 25% down payment, a 25-year amortization, an interest rate of 4%, $579 in property taxes per month, strata fees of $50 per month, and a heating cost of $150 per month.

- Pre-zoning in other areas could also be explored under this framework, similar to the approach taken in the West End Community Plan. **In order to deliver more supply, pre-zoning in the City's low-density neighbourhoods forms part of the solution.** A broad-based approach to pre-zoning in other areas of the city for apartment buildings and rowhouse projects also warrants further exploration.
- **Case study research illustrated the importance of working with lenders** to ensure there are banks or credit unions who can provide financing to households interested in purchasing units with restrictive covenants in place. Key informants have suggested credit unions in Vancouver may be amenable to providing financing, but outreach and relationship building with such organizations will be needed to determine a qualified list of lenders in advance of launching a program of this nature.

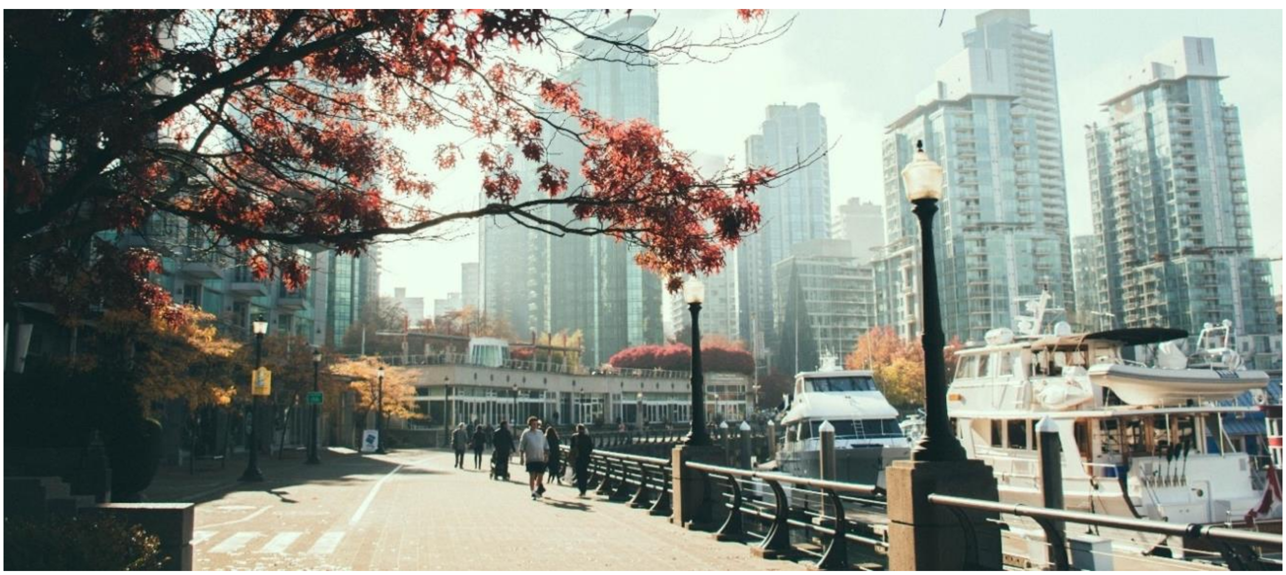
NON-MARKET APPROACH

- **Non-profits are strategically positioned to operate affordable housing** given their organizational mandates. Most non-profit housing providers focus on rental and social housing, yet recent initiatives demonstrate innovative approaches non-profits have explored to provide affordable home ownership opportunities.
- Feedback received from non-profit housing providers indicates their ability to provide **affordable home ownership opportunities is dependent on zoning and non-profit land ownership.** Recent zoning changes in the City of Vancouver to allow six storey rental buildings as-of-right in C2 zones and four storey rental apartments as-of-right in adjacent RS/RT zones has provided certainty and reduced rezoning costs for non-profits exploring development options. While this zoning change was primarily intended to facilitate the construction of new rental housing, policy flexibility to permit both affordable rental and ownership tenure in these zones may warrant further consideration.
- In this model, non-profits or community land trusts would manage **affordable ownership units held in perpetuity.** Given that non-profit housing providers already administer affordable housing programs, it would be a logical expansion of their existing services to also administer affordable ownership units.
- While most affordable home ownership programs target middle-income households, **non-profits may be able to deliver units at deeper levels of affordability** and employ an equity-

based approach to tenant selection, dependent on their mandates.[49] In conjunction with other approaches to affordable home ownership, this pathway provides an avenue to secure affordable units in perpetuity. For households living in non-profit housing, affordable home ownership may be an appealing avenue to build savings.

PRIORITIZE PRE-ZONING AND STANDARDIZED REZONING PROCESSES

- There is a need to **support the private and non-profit housing sectors** to build as much affordable housing as possible, by supporting projects through approval processes and creating an enabling policy and regulatory framework.
- Improved clarity creates project certainty, which helps to reduce costs. In a clear policy framework, flexibility is also necessary to ensure projects can adjust to fit distinct contexts.
- It may be valuable to engage with BC Assessment and the provincial government to develop approaches to increase the ability to leverage pre-zoning for affordable housing by amending the way unbuilt density is assessed or taxed. This could include separating out the value of unbuilt density and allowing municipalities to exclude this value from property taxation. This type of measure could strengthen the use of pre-zoning by having a finer level of control over any potential effects on property taxes and land lift as policies are developed and refined.



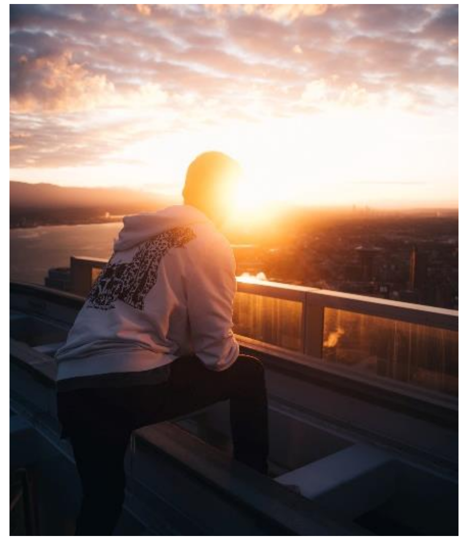
[49] An equity-based approach to tenant selection would target households who have experienced structural barriers in accessing home ownership as a result of discrimination, racism, and colonialism.

BC Housing's Affordable Home Ownership Program

- By providing interim construction financing at reduced rates and leveraging land and other contributions from project partners, units are made available at 5% to 20% below market value for eligible home buyers, with the difference secured by an AHOP mortgage registered on title. This program was launched in 2018 and while there are some early learnings to illustrate, there are not many built projects that may be reviewed to better understand AHOP in implementation. To be effective, a significant number of additional units at reduced prices would need to be approved.
- Without restrictive covenants in place, accessing financing is straight-forward. Buyers can contribute their down payment and mortgage and the remaining amount owed is secured through a **second mortgage with BC Housing**.
- Simultaneously, without restrictive covenants in place, this program does not create units affordable in perpetuity. In this scenario, a new market development would include **a proportion of units at reduced rates.** This expands the pool of eligible buyers, creating additional demand on the same number of units. These units offer one-time affordability, which allows for households to sell their units at market prices. Proceeds from the repayment of AHOP mortgages (minus an administration fee of 1-2%) are reinvested in affordable housing within the same community if the municipality has partnered with BC Housing on the project.
- With regards to administration, **BC Housing has capacity to manage this program**, yet because each project is negotiated on an individual basis, municipal staff must participate in the development process. Negotiated one-off projects can be time-consuming and complex, which is important to consider when evaluating internal capacity to explore the AHOP program with BC Housing.

Next Steps

CONFIRM DIRECTION TO SUPPORT AFFORDABLE HOME OWNERSHIP INITIATIVES



Affordable home ownership programs that expand the diversity of options available to middle-income households can make a meaningful impact on the housing market. Such programs create a new stream of housing not previously available, adding to supply and increasing housing choice. Given that affordable home ownership programs rely on incentives (typically density bonusing), it is important for the City to determine its interest in using this relatively finite resource to secure affordable home ownership units.

REVIEW OPTIONS TO A PARTNERSHIP-BASED APPROACH TO AFFORDABLE HOME OWNERSHIP

Affordable home ownership programs must be actively managed to ensure eligible owners are income-tested and supported through the purchase and financing process. Programs that involve resale restrictions will require additional support to manage legal obligations, and most programs typically administer a wait list which must also be monitored. Case study research illustrates the diversity of approaches other jurisdictions have taken to support implementation. Many American cities administer affordable home ownership programs internally, as a component of their existing housing programs. Other jurisdictions depend on non-profits, land trusts, or city subsidiaries to support program administration. As City staff do not have capacity to implement an in-house program, it is recommended the City explore partnership-based approaches to affordable home ownership.

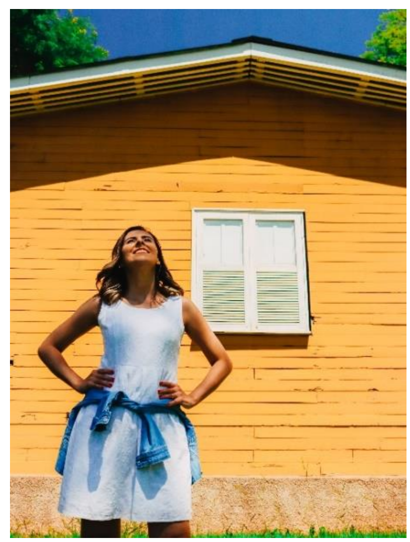
EXPLORE PRE-ZONING WITH EMBEDDED AFFORDABILITY REQUIREMENTS

Through engagement with developers and non-profits, it was clearly communicated rezonings make it challenging to deliver affordable housing. Pre-zoning for higher density with affordable ownership would provide greater certainty and clarity to project applicants, while limiting the time spent negotiating approvals.

Non-owners also indicated a desire to live in Vancouver's neighbourhoods, which they saw to be challenging given the limited rental options and the prohibitive price of purchasing a home. Many of these areas are reserved for single-detached housing, which is not affordable to most Vancouver households. Pre-zoning would allow for additional density in these neighbourhoods, creating a more equitable housing system where more people can live in areas close to shops, services, and other amenities. There are also climate benefits associated with permitting multi-unit development in established residential areas, which is an important policy consideration to prioritize when exploring new housing initiatives. Pre-zoning for affordable homeownership could also be considered in areas already zoned for multi-unit development.

CONSIDER LAUNCHING A CITY-WIDE HOUSING DIALOGUE

Engagement with non-owners illustrated the importance of location over typology. Feedback received highlighted the importance of having sufficient bedrooms, access to the outdoors, natural light, and privacy, and many respondents felt these features were achievable in many housing forms. Non-profits and developers outlined the challenges they have experienced when exploring multi-unit development in areas previously reserved for single-detached housing and their hesitation to pursue projects where lengthy rezonings create additional costs and reduce project affordability or viability.



There is an opportunity to address these concerns and host a city-wide dialogue on housing form to explore how Vancouverites live and the housing features residents would prioritize in new multi-unit development. As the city continues to grow, development patterns will change and beginning a conversation on how to best accommodate this growth through new housing forms is appropriate.

APPENDIX A

Affordable Home Ownership Case Studies

Moderately Priced Dwelling Unit Program

Montgomery County, Maryland

PROGRAM OBJECTIVE

The MPDU program objective is to provide people with moderate incomes the opportunity to become homeowners in Montgomery County. Initially set at 80% of the County's median household income[50] for both rental and for-sale units, maximum household income limits were eventually lowered to 70% for ownership units, increasing the pool of eligible low-income applicants.[51] As of April 2021, minimum income requirements for the MPDU purchase program were set at $40,000 USD ($51,700 CAD) and maximum income levels were as follows:

Table 13: MPDU Program Maximum Income Thresholds by Household Size

Household Size (persons)	Maximum Income (USD$)
1	$63,000 ($81,400 CAD)
2	$72,000 ($93,000 CAD)
3	$81,500 ($105,300 CAD)
4	$90,500 ($116,900 CAD)
5	$97,500 ($125,800 CAD)
6	$104,500 ($134,900 CAD)

Source: Department of Housing and Community Affairs, Montgomery County.
https://www.montgomerycountymd.gov/DHCA/housing/singlefamily/mpdu/programsales.html#WhoisEligible?

The MPDU program also provides the opportunity for the county's public housing agency, the Housing Opportunities Commission (HOC), to purchase up to 33% of MPDU units in new development. HOC can then offer these units at a greater level of affordability, providing secure housing options for very low and low-income residents. The MPDU program is framed as one important part of the housing continuum in Montgomery County – staff acknowledged other housing programs provide a fulsome policy framework to address a diversity of housing needs.

[50] In 2021, median family income in Montgomery County was $129,000 USD ($166,600 CAD).
[51] Wong, Lung-Amam, Knaap, 2021

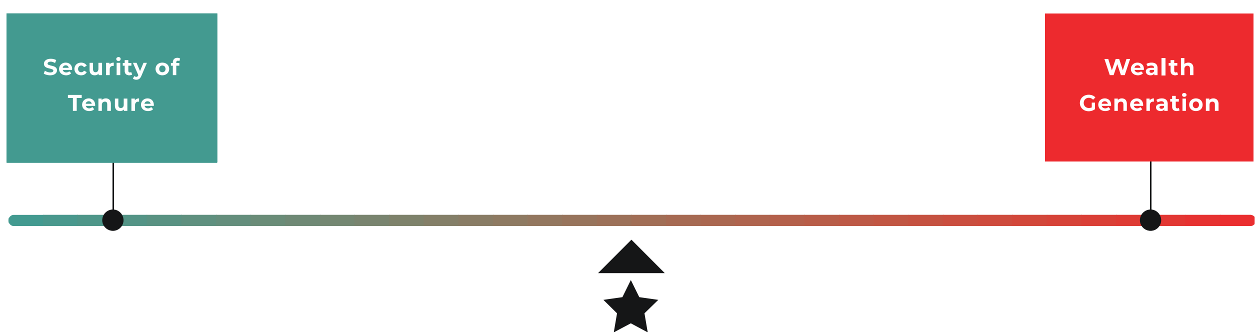
For the remaining units not secured by HOC, the Department of Housing and Community Affairs (DHCA) conducts a Random Selection Drawing to determine who will receive an opportunity to purchase an MPDU home. After the entry deadline for the development has passed, DHCA ranks the participants registered for the property. Priority to purchase a home is given to participants who have accumulated the most "Priority Points". The maximum number of Priority Points a household can have is five (5). Points are assigned on the following basis:

- Living in Montgomery County – 1 point
- Working in Montgomery County – 1 point
- For each consecutive year an applicant is an approved MPDU purchase program participant – 1 point per year (maximum of 3 years)

This priority system reflects MPDU program goals to provide affordable home ownership for households living and working in Montgomery County.

Program Assessment

Montgomery County's MPDU program objective is to provide home ownership opportunities for people with moderate incomes. While security of tenure is a strong feature of this model, households that sell their homes after the 30-year control period receive 50% of the excess profits, resulting in some wealth generation. For these factors, the program's objective is assessed as shown in the graphic below.



UNIT AFFORDABILITY OVER TIME

The MPDU program prioritizes long-term unit affordability, through both the 30-year restrictive covenants and the profit splitting requirement for households selling their properties after the control period. Since its implementation in the 1970s, the program has focused on providing home ownership opportunities for households unable to afford market priced homes. Three key principles included in the final Bill represent the program's policy goals:

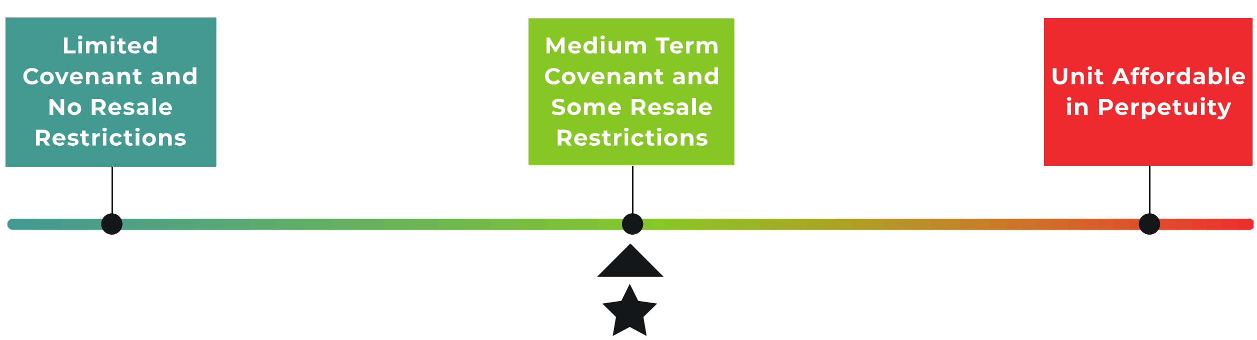
1. Moderately priced housing should be dispersed throughout the county, consistent with the General Plan and area master plans;
2. Employees who work in the county should have the opportunity to live near their work; and
3. Housing should be provided for the county's young and elderly residents.[52]

Program Assessment

The MPDU program incentivizes owners to stay in their units for a minimum of 30 years given the resale parameters in place. The maximum resale price for an MPDU home during the control period is what the MPDU owner originally paid for the MPDU, plus inflation and eligible improvement costs. Once the control period ends, the MPDU is no longer affordable as it can be sold on the open market. The County assesses the Excess Windfall Profit of the unit, which refers to the amount of appreciation in the value of the MPDU exceeding the owner's initial purchase price plus:

- A credit for allowable improvements;
- An allowance for the increase in inflation, based on the difference in the Consumer Price Index from when the MPDU was purchased and when it was put on the market;
- The real estate commission (up to 6%) of the sale price of the MPDU; and,
- One-half of the applicable transfer taxes and one-half of the recordation charges, up to a limit of 1.1% of the sales price.

MPDU owners are required to share one-half the Excess Windfall Profit with Montgomery County, which is used to finance and produce new affordable housing in Montgomery County for other low- and moderate-income families. With a medium-term covenant and some resale restrictions, the program is assessed as illustrated below.



[52] Trombka et al. 2004

WEALTH GENERATION OVER TIME

For those households who have sold their homes, it would be beneficial to understand what they may be able to afford on the market. Following the 30-year control period, does the sale of an MPDU at a market price, with 50% profit split, generate sufficient equity to allow households to purchase a market unit? Montgomery County staff do not currently track applicants exiting the MPDU program but indicated it may be challenging for former MPDU owners to afford market units. With the 30-year restrictive covenants in place, the program is designed for participants to remain in MPDUs over the long-term.

Program Assessment

Montgomery County's MPDU allows for some shared appreciation as homeowners that sell after the control period has ended are entitled to receive 50% of the Excess Windfall Profit. The example below demonstrates how shared profit is calculated, based on an initial purchase price of $65,000 in 1995 and a current market sales price of $200,000:

Table 14: MPDU Resale Base Price Calculation

Initial acquisition price in 1995	$65,000
Increase in CPI (56% increase between 1995 and today)	$36,530
Documented Capital Improvements	$5,000
Real Estate Commission (6% of sales price)	$12,000
½ of Transfer Tax & Recording Fee (1.1% of sales price)	$2,200
Total MPDU Base Price	**$120,730**

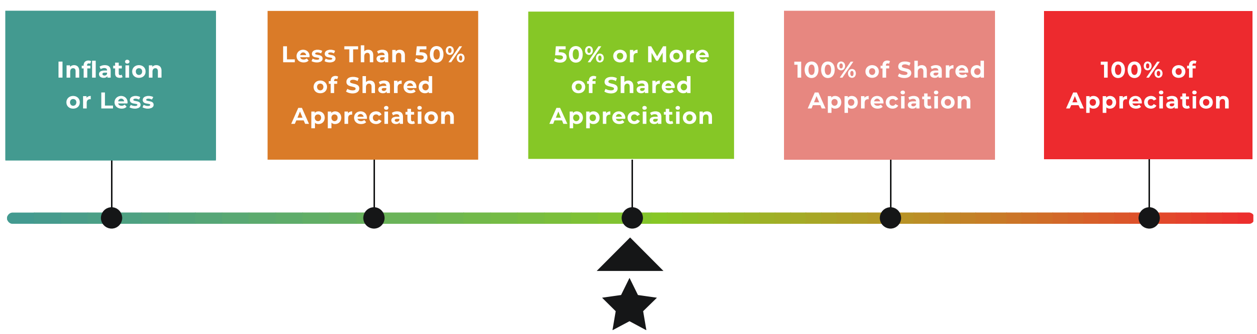
Source: Department of Housing and Community Affairs, Montgomery County.

Table 15: MPDU Sales Calculations

Fair Market Sales Price (as shown on sales contract)	$200,000
Less MPDU Base Price (from above)	–$120,730
Excess Profit (difference between MPDU Base Price and Fair Market Sales Price)	$79,270
Share of Excess Windfall Profit to Owner (50%)	$39,635
Shared Profit owed to Montgomery County (50%)	$39,635
Total Proceeds to Seller – base price + 50% excess profit (available to pay-off existing mortgage, real estate commission, home equity loan, etc.)	$160,365
Total Shared Profit to Montgomery County (to be used to produce new affordable housing)	$39,635

Source: Department of Housing and Community Affairs, Montgomery County.

This framework indicates MPDU owners to build some equity through this program, as indicated on the graphic assessment below.



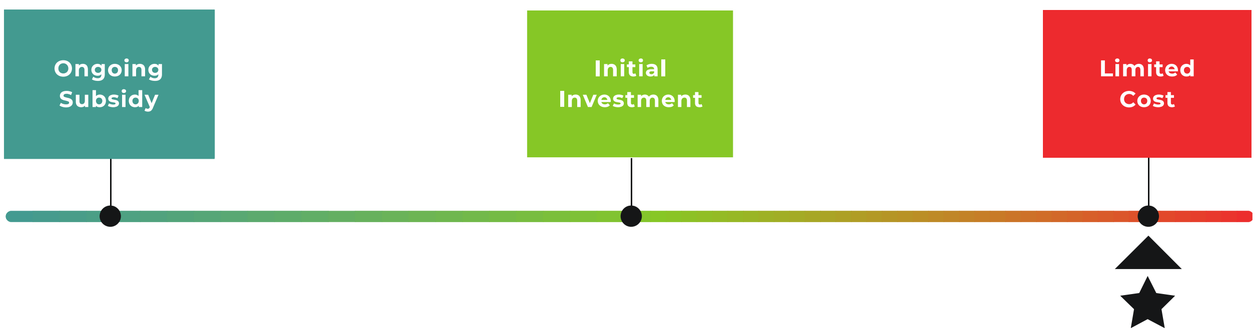
COST TO GOVERNMENT

The MPDU Program relies on the private market to deliver affordable home ownership – there are no capital contributions or ongoing operational subsidies required from government. Montgomery County does share in the appreciation when MPDUs are sold after the control period, as MPDU owners are required to share half of the Excess Windfall Profit.

From an operational perspective, there is a substantive cost to government. Feedback received from staff at Montgomery County indicated the MPDU program is administratively heavy and requires support from six full-time staff people. Certain program applicants require significant “hand-holding” and there can be additional challenges related to language barriers and knowledge gaps regarding the online application system. However, the MPDU program remains one of the most productive affordable home ownership programs in America, with the capacity to assist 400 applicants on an annual basis.

Program Assessment – Capital

From a capital perspective, the MPDU program has limited cost to government as the policy framework relies on the private market to deliver affordable housing. Staff indicated the development sector feels the program “pays for itself.” The density bonuses provided are enough to offset the costs of delivering affordable units and there is inherent flexibility in that project proponents can determine tenure. For these reasons, the program has a limited capital cost to government, as illustrated below.



Program Assessment – Operations

Montgomery County’s MPDU program relies on six full-time staff to navigate program operations. Certain components of the MPDU program are provided by external contractors, yet staff manage most daily operations. The framework is administratively complex and requires the involvement of several government departments to manage implementation, administration, and enforcement. It is important to note, however, that the program does not require an individualized approach for each new development – there is a set policy framework applied across Montgomery County and operations are complex because of the program scale.

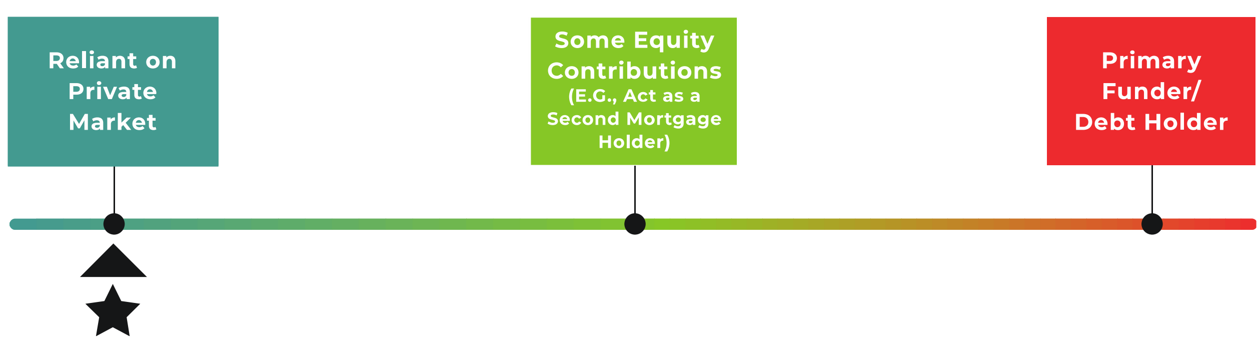
RISK TO GOVERNMENT

The MPDU Program has limited risk to government as the model relies on density bonusing to deliver affordable units – Montgomery County does not hold debt for any program households. Project financing is also dependent on the private sector. Applicants for the MPDU purchase program must provide a mortgage pre-qualification letter from an HOC-approved mortgage lender for at least $150,000. Special financing, down payment, and closing cost assistance are also available through the HOC.

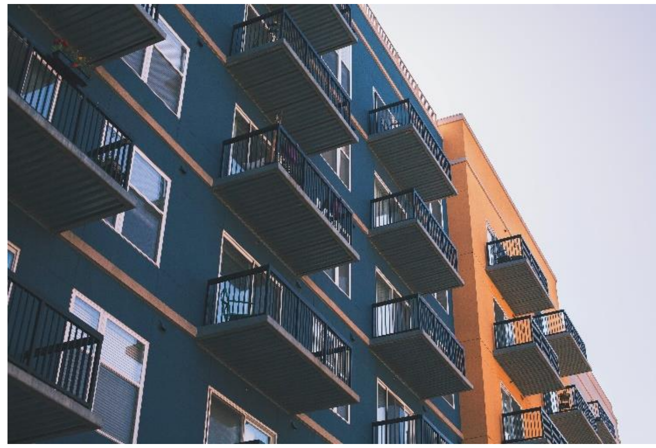
To apply for the MPDU Program, Montgomery County requires applicants to attend an online First-Time Home-Buyer Class, an online MPDU orientation seminar, and an online MPDU Application Tutorial. These requirements are in-place to ensure applicants have a solid understanding of program parameters prior to applying, which can help to limit administrative challenges that may arise for applicants with an incomplete program understanding. Montgomery County contracts these courses to external organizations, helping to alleviate internal capacity and providing for third-party involvement. With other organizations responsible for the education component of the MPDU Program, Montgomery County is not solely responsible for determining eligible applicants. This approach minimizes risk and limits the extent to which Montgomery County must act as a gatekeeper to the program, as this can be a challenging role.

Program Assessment

The MPDU program has limited risk for government as the program relies on the private market to provide affordable units. Part of the program's effectiveness is contingent on context – in a high-growth metropolitan region with a strong housing market, development continues to come forward and the County can capture a portion of new construction as affordable units. Montgomery County does not hold debt or contribute equity for this program.



EASE OF IMPLEMENTATION



As discussed in the "Cost to Government" section (page 96), this program is administratively heavy and requires several full-time staff to monitor operations. The Department of Housing and Community Affairs (DHCA) is responsible for day-to-day administration of the program, but multiple government organizations, such as the Planning Board, the Planning Department, and the Department of Permitting Services, are involved in various aspects of the program's implementation, administration, and enforcement. While DHCA staff are responsible for applicant services, data and inventory management, building agreements, MPDU pricing, planning and project review, site plan compliance and enforcement, alternative agreements, and occupancy and resale, the County Executive sets and annually revises income eligibility standards.[53]

Staff indicated the program relies on the private market to provide affordable housing units – there should not be additional costs for developers and government in providing MPDUs. In reflection of this goal, the program has been amended several times since 1974 to ensure ease of implementation and program success. The amendments have primarily focused on the number of units and density bonus requirements.

The requirement for affordable units in the central business district was lowered to 12.5% in 2001 in response to feedback received from the development community and in recognition of the high cost of developing in those areas. The size of developments has also increased over time, resulting in the creation of more units affordable to moderate income households.[54] These program changes have helped to improve implementation from the private sector perspective; government involvement has remained somewhat consistent over the years.

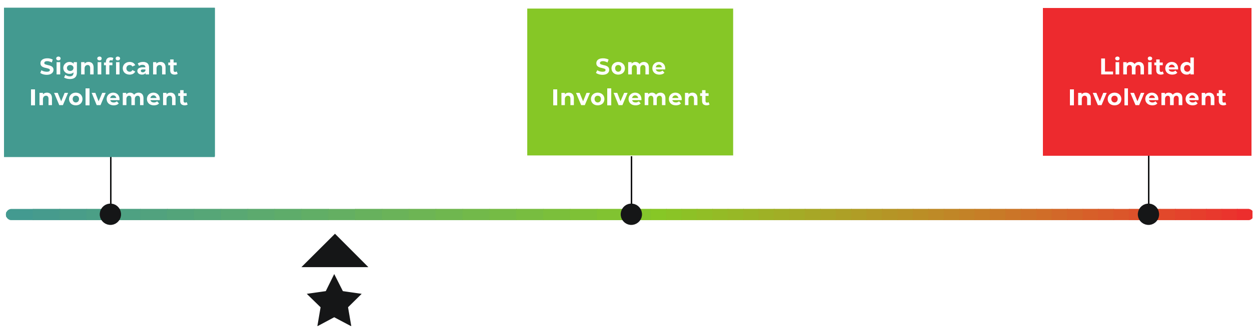
There are defined educational courses that must be completed prior to applying for an MPDU. Once these courses have been completed, it is a relatively straightforward process to apply for the MPDU program online. The priority point system helps to clarify prioritized applicants for an

[53] Rubin and Trombka, 2007
[54] Wong, Lung-Amam, Knaap, 2021

MPDU unit, which can be helpful if program applicants are not successful with their initial applications.

Program Assessment

The program relies on full-time staff involvement to navigate implementation; however, the assessment framework below indicates a rating between “significant involvement” and “some involvement” as the MPDU program is a long-standing, well-defined policy that allows for *relative* ease of implementation. There is an easily replicated, standardized process staff follow to deliver units. This structure allows for some efficiencies, yet program success is contingent on significant staff involvement.



SCALABILITY

The program is highly scalable as is demonstrated by its productivity over time. The MPDU Program has consistently provided new affordable housing units since the early 1970s. Apart from the mid-1980s and mid-1990s (both periods of expansion in the national housing market), MPDU production from 1976 to 2004 remained between 5–10% of the county’s total housing units (annual production between 77 to 1,200 units).[55] The MPDU model does not require a tailored approach for each new development – the program parameters are clearly outlined and have resulted in the construction of many new units.

While the MPDU program has been implemented throughout Montgomery County, it is reliant on continued growth. Market pressures can result in some variation in the number of affordable units produced each year; if the private market for development decreases and developable land

[55] Konotokosta, 2015

becomes increasingly scarce, the rate of MPDU production also declines.[56] With constrained land supply already a reality in Montgomery County, MPDU units are likely to be produced within high-density neighbourhoods as infill development.

This program has a proven track record as further evidenced by its adoption in other Maryland communities (City of Rockville, Howard County). While it was initially a political challenge to adopt this program, its success and widespread applicability across Montgomery County can be attributed to its mandatory status in a high-growth region with a strong housing market. Flexible development standards along with density bonus incentives help to ensure developer buy-in, which is critical to program success.

Program Assessment

Montgomery County's MPDU Program is highly standardized – the policy framework requires a set proportion of affordable units in all new development of 20 units or more. Its scalability is demonstrated spatially – the program has succeeded in creating affordable housing in every planning area in the County.[57]

[56] Wong, Lung-Amam, Knaap, 2021
[57] Trombka et al. 2004

Champlain Housing Trust

Burlington, Vermont

PROGRAM OBJECTIVE

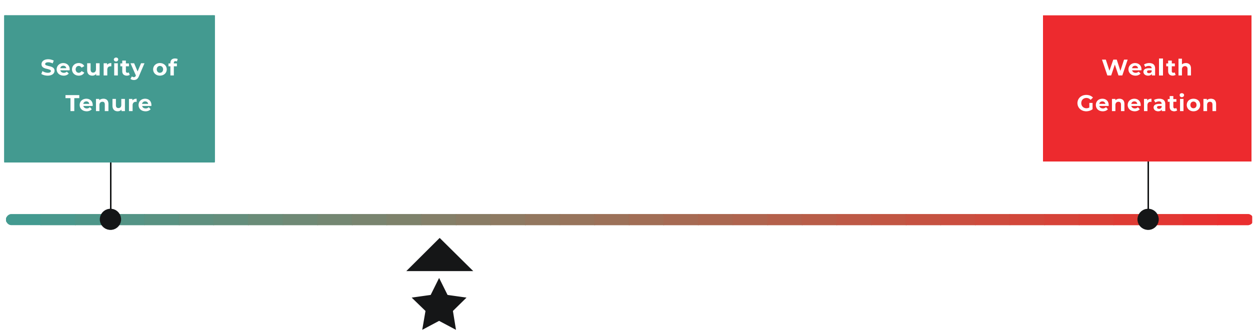
The CHT Shared Equity Program aims to "provide home ownership and wealth-building opportunity for low-income Vermonters" and now specifically aims to help address historic racial inequities in the housing system. With home ownership being seen as a primary mechanism for building wealth, the CHT views the Shared Equity Program as key to breaking the cycle of intergenerational poverty. However, the primary purpose of the organization is to provide security of tenure through any option appropriate for a given household, including buyers able to purchase in the open market, those requiring a leg-up through a shared equity mortgage, and renters.

Source: World Habitat Awards. Champlain Housing Trust. Retrieved Mar 3 2022

Beyond creating affordable ownership opportunities to begin building wealth, the SEP provides improved economic stability and housing security than is typically available when renting. Not only are units affordable to future buyers, but they also stay more affordable to existing purchasers than if they had kept renting.

Program Assessment

While the CHT's SEP does allow for households to build some wealth over time the program purpose is ultimately to provide security of tenure. Equity sharing is balanced to allow households to not be stuck in their homes, but they have long term security should they be happy in their current dwelling.



AFFORDABILITY OVER TIME

Despite homeowners being able to experience some market value appreciation, the CHT SEP is primarily designed to maintain affordability over time. A 2010 case study by the Urban Institute found the absolute income required to purchase a CHT home had increased by an average of 1.1% per year (less than inflation), with the average purchaser earning 52% of the AMI.[58] The appreciation sharing formula has evolved over time to maintain this affordability dynamic.

This approach uses public dollars more efficiently than traditional home ownership assistance programs because it maintains affordability over time for future owners. Davis and Stokes (2009) demonstrated the CHT's program was able to help five times as many households as programs where the purchaser retains all the appreciation from the property. It was found 357 households were able to attain home ownership under the SEP for a cost of $2.2 million, while it would have cost $10.6 million for the same result under a traditional program.[59] As more households can continue to be offered affordable ownership without additional subsidy, this efficiency increases over time.

The dynamic of the equity share ratio changing over time to maintain relatively affordable purchase prices is illustrated in Table 16 and Figure 7 on the following page. In this example, a purchaser first bought a SEP dwelling with a market value of $100,000 in 1991 for $80,000 (80% equity share). In 2021, they decided to sell, and the market value of the home had appreciated by $150,000. Upon sale, the original owner would retain $30,000 of the appreciation while the CHT would hold the remaining $120,000 to suppress the purchase price for the next buyer. The second owner now holds a 44% equity share worth $110,000, and the original owner receives $110,000 from the new purchaser.

[58] Temkin, K., Theodos, B., and Price, D. 2010 (13). Shared Equity Homeownership Evaluation: Case Study of Champlain Housing Trust. The Urban Institute
[59] Davis, John Emmeus, & Stokes, Alice (2009). Lands in Trust, Homes that Last – A Performance Evaluation of the Champlain Housing Trust. Champlain Housing Trust, Burlington, VT

Figure 7: CHT Equity Share Over Time

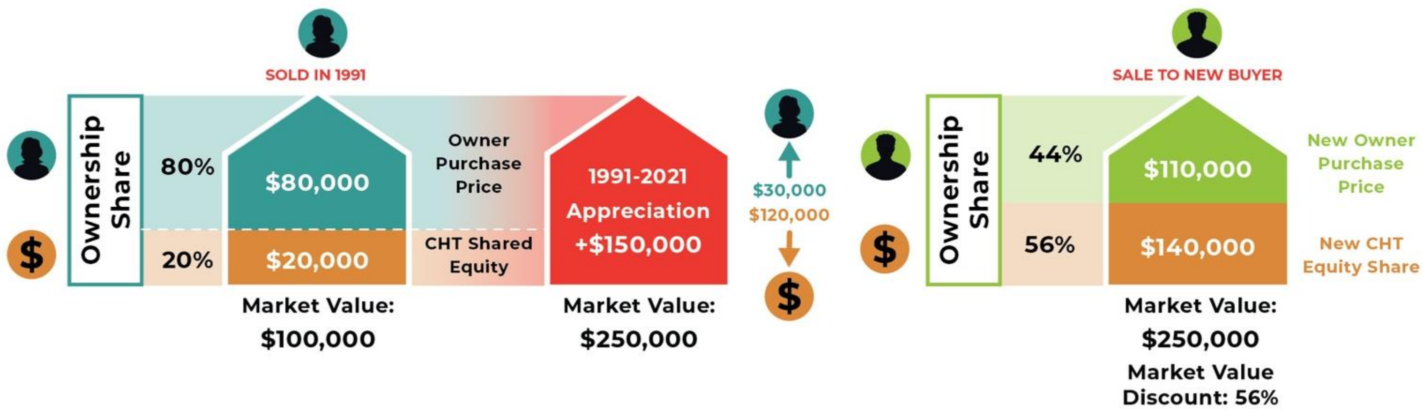


Table 16: Affordability Maintained for Future Buyer through Higher Equity Share

	Purchase 1	Purchase 2
Market Value at Purchase	$100,000	$250,000
Purchaser Share Cost ($)	$80,000	$110,000
Purchaser Ownership Share (%)	80%	44%
CHT Share ($)	$20,000	$140,000
CHT Share (%)	20%	56%

Comparing the relatively affordability of the unit described above over a 30-year period with absolute values does not present the dynamic with total clarity. Using a standardized, comparable metric, it was found not only was affordability maintained over time, but it also improved. Davis and Stokes (2009) found, on average, homes purchased through the SEP program were affordable to households earning a lower amount of the AMI in 2008 than in 1988 (i.e., they were more affordable relative to incomes in 2008 than 1988). However, this effect is not absolutely consistent and some dwellings experienced a loss of relative affordability compared to others.

Most of the dwellings experiencing a loss of relative affordability were condominiums, which are more likely to be new and in neighbourhoods with high equity appreciation compared to houses in the CHT portfolio. However, it should be noted only one dwelling's price has ever surpassed the maximum threshold of 80% AMI allowed by the SEP (by 0.3% to 80.3% of AMI).

Program Assessment

Overall, the SEP has effectively maintained affordability over time, especially compared to the market: between 1999-2006, market homes increased in price by 85% on average, while CHT homes increased by only 35%.[60]

WEALTH GENERATION OVER TIME

While the SEP is designed to maintain affordability of units over time for future purchasers, a secondary objective is providing a mechanism for building wealth. A key aspect is the capacity for low-income residents to become homeowners and accumulate wealth with little upfront cost. Purchasers do not retain the majority of value increases, but they get back 100% of the equity created by paying down their mortgage. On average, over the life of the program (35+ years) owners earned more than $25,000 when they sold; more recently (2016-2020) the value earned has averaged $38,300[61].

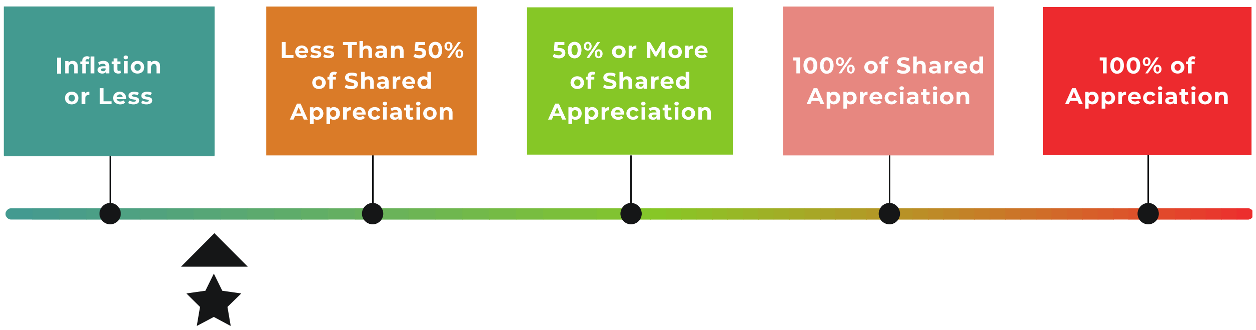
By accessing ownership through the SEP, households are also able to begin 'moving up' the property ladder. The appreciation sharing formula has been refined over time to allow for sufficient wealth generation to maintain housing mobility through market changes. Program data indicates 74% of those moving out of their SEP dwelling moved into market ownership, while 5% moved into another CHT property. Households move out of SEP dwellings for the same

[60] Davis, John Emmeus, & Stokes, Alice (2009). Lands in Trust, Homes that Last – A Performance Evaluation of the Champlain Housing Trust. Champlain Housing Trust, Burlington, VT
[61] Champlain Housing Trust. *Shared Equity Innovation*. May 2021.

reasons as any other household: to be closer to work, family, or other commitments, due to household formation or dissolution, or for some other desired change.

Program Assessment

Wealth generation is not the primary purpose of the SEP; however, when compared to renting it offers a significant advantage. With lower monthly housing costs than renting, the provision of 'forced savings' through paying down the mortgage and through the 25% share of appreciation, households who would otherwise be unable to buy are able to experience meaningful financial benefit.



COST TO GOVERNMENT

The cost to government to implement CHT's SEP is largely associated with initial funding in program setup but could be structured to become self-sustaining. This approach is a more efficient use of government funding as the subsidy grows in value over time and is permanently attached to the dwelling without ever being lost to a single household through open market sales.

The CHT also offers a wide range of education and support programming through its Homeowner Education Centre. The CHT initiated the Centre through a government funding stream, but later maintained these operations after this grant was no longer available. These services are now self-supported through land leases and membership fees.

The SEP program receives ongoing funding from property tax revenue supported grants, which is used to acquire new properties. Other potential costs to government could be in the form of regulatory relaxations, fee waivers, or the costs associated with inclusionary units.

With units resold to new eligible buyers at a similarly affordable price, and no new subsidization required, the CHT has been able to provide over 1,225 households affordable home ownership with only 636 properties.

Program Assessment – Capital

Initial acquisition of properties requires a funding source, but ongoing subsidy is not required to keep the units affordable over time.

Program Assessment - Operations

Conducting sales, approving buyers, and guiding them through the process does require staff time and possible ongoing subsidization of the operations. However, the CHT SEP reached a sufficient capacity to financially support any required staff time from fees associated with the program.

RISK TO GOVERNMENT

It is rare the CHT is required to provide additional funding into a property to maintain its affordability. For 96% of resales, the value of the original investment is maintained. In the rare case where value is lost, the problem was typically unfortunate market timing.[62]

While an initial grant is typically required to ensure affordability, it is recycled (and increased) for future buyers without further subsidization by the government. Ideally, to minimize risk, funds for property acquisition could primarily come from senior government. It should be noted the CHT is not directly administered by a government body, but rather sources funding through government programs and collaboration.

[62] Davis, John Emmeus, & Stokes, Alice (2009). Lands in Trust, Homes that Last – A Performance Evaluation of the Champlain Housing Trust. Champlain Housing Trust, Burlington, VT

Program Assessment

The risk to the municipal government in implementing a similar program to the CHT's SEP is relatively low. Upfront funding is required, and with the constrained real estate market in Vancouver the cost of initial acquisitions could be much higher than in other jurisdictions.

EASE OF IMPLEMENTATION

Operator

Overall, the program appears to be relatively simple to implement, although it could take time to establish a portfolio of dwellings and develop a feasible appreciation sharing formula for local conditions. The day-to-day operations can be significantly streamlined by software tools (e.g., the CHT uses Salesforce). The program does require ongoing administration, especially at the time of sale and resale, but the CHT also offers a range of other services through its Homeowner Education Centre. These additional services are now funded through ground leases or membership fees, and include post-purchase counseling (e.g., budgeting, refinancing, delinquency intervention), post-purchase education workshops, homeowner advocacy, advertising, and support during the resale of homes, tax assistance, special events, and stewardship. Many of these services are also available to the general public and it is a core offering of the CHT outside the SEP.

Source: Champlain Housing Trust. Homeowner University Goes Virtual. Retrieved Mar 3 2022

A key challenge is establishing lending partners with sufficient confidence in the program to finance dwellings with resale restrictions. For the CHT, the Homeownership Education Centre created an opportunity to steer buyers who could not purchase in the open market into the new SEP. These education opportunities showcased the program's success and mainstreamed the concept through the 1990s. Buyers did not always initially seek out the SEP program, but the

Education Centre provided an effective way to walk buyers through the concept and begin spreading awareness. There are now a range of lenders regularly participating in the SEP and it is perceived as safe. Lender interest increased as the CHT could demonstrate the long-term stability of its approach and increase confidence lower-income borrowers would not default on their mortgages.

The CHT exists within a favourable policy environment and relies on variable revenue and funding streams. The funding has not always been consistent, and the organization had to compete for funding like any other non-profit. To grow the pool of dwellings, the CHT had to continually seek new funding programs and work within their varied frameworks.

Purchaser

The process is a well-established path for purchasers. There are several workshops or meetings to attend,[63] with purchasers able to move through the application process in approximately 8-10 weeks. Purchasers only need to bring sufficient funds for closing costs and a CHT transaction fee,[64] while a down payment of 20-30% is provided through the shared equity contribution from the CHT.

The homebuyer must bring a current pre-approved letter from a lender willing to participate in the program. A homebuyer must also meet income and other eligibility requirements and find a home to purchase. These purchasing and equity share procedures and formulas have been simplified over time to establish greater certainty and clarity for home buyers.

Program Assessment

Establishing a portfolio of dwellings for the SEP requires sufficient upfront capital and it could take several years before operations are optimized and efficient. Tuning the equity sharing formula to local conditions could take several iterations, but it appears the current formula generally captures the market appreciation greater than annual inflation. The CHT suggests a clear and simple formula is most effective and easier to administer. The purchasing process is straightforward for buyers who do not need to provide a down payment themselves. There are a series of steps to assure buyers understand the commitment they are making, but the process could be completed in approximately 2-3 months for a motivated household.

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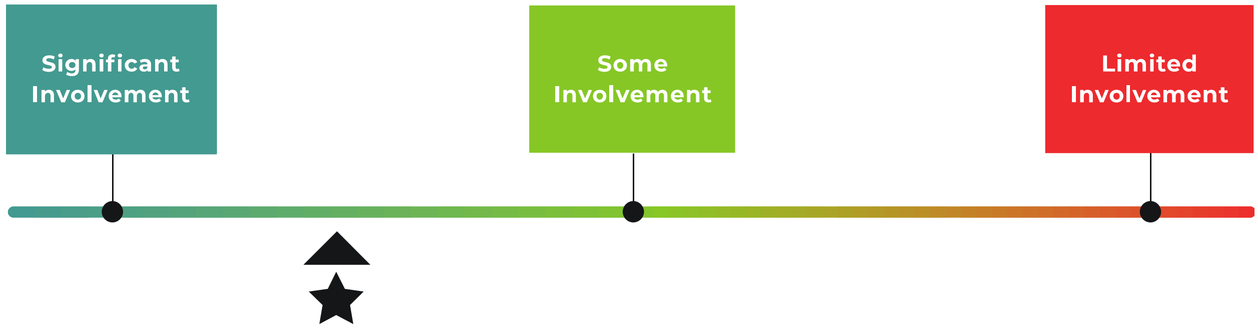
[63] A one-hour Shared Equity Program Informational Meeting, a Homebuyer Education Workshop, and a one-on-one session with a CHT counselor.

[64] Closing costs are typically $8,000-$10,000 and the transaction fee is $1,200.



SCALABILITY

Once the basic program is in place, it could be easily scaled up to include a larger number of properties. The most challenging aspect would be establishing and refining the equity sharing and resale framework and acquiring properties. The effort to administer any given sale should be consistent. Although, with more sales occurring, there would be increasing work for the program administrator. The program could be expanded property-by-property as capital for purchases becomes available.

Program Assessment

The CHT's SEP is highly scalable with a range of tools and funding sources leveraged over time to expand the program.

OTHER CONSIDERATIONS

While the CHT's ultimate purpose is to provide household stability through security of tenure, it has a wide range of other benefits and supporting objectives. The SEP has been framed as an effective instrument to address systemic racism in home ownership, wealth generation, and access to high-opportunity neighbourhoods. Over the last five years, 25% of CHT buyers have been people of colour, an important step in breaking the cycle of intergenerational poverty experienced by these populations.

The CHT pursues brownfield development, focuses on revitalization over full redevelopment, undertakes adaptive reuse and rehabilitates existing properties, and seeks inclusionary units to maintain diverse neighbourhoods. With permanent affordability built into redeveloped properties, the SEP helps to reduce the displacement of low-income households through gentrification.[65,66] By rehabilitating existing buildings as an alternative to market redevelopment, the CHT maintains lower housing costs in neighbourhoods experiencing development pressure. Beyond the household level, this approach helps to maintain diverse, mixed income neighbourhoods with a range of household types.

Source: Rio On Watch. Community Land Trust Models and Housing Coops from Around the World. Retrieved Mar 3 2022

[65] Champlain Housing Trust. *Shared Equity Innovation*. May 2021.
[66] Ruoniu Wang, Ph.D; Cahen, Claire; Arthur Acolin, Ph.D; Rebecca J.Walter, Ph.D. (2019). Tracking Growth and Evaluating Performance of Shared Equity Homeownership Programs During Housing Market Fluctuations. Lincoln Institute of Land Policy, Cambridge, MA.

Residential Infill Project: Deeper Affordability Amendment

Portland, Oregon

PROGRAM OBJECTIVE

The City of Portland has identified a need for both rental and for-sale housing opportunities for low- and moderate-income households. These zoning changes create a framework for establishing affordable units incrementally across the city on an owner-initiated small-scale lot by lot basis. The purpose of these changes was to renew the planning framework to better accommodate growth and change in an equitable way by allowing a broader range of housing options throughout low-density neighbourhoods. The Deeper Affordability Bonus was added to address specific affordability concerns within this broader framework renewal.

Program Assessment

The changes made through the RIP amendments are largely framed around equity and equal opportunity. In considering ownership units established through the Deeper Affordability Bonus, there is high wealth generation potential for individual households assuming they remain in the home until the 10-year restrictive covenant expires. If a household sells during this 10-year period, there would be very little wealth generation, as sales prices are tied to the income of the buyer.

UNIT AFFORDABILITY OVER TIME

The ownership units produced through the Deeper Affordability Bonus would remain resale restricted for 10 years. Ownership would be restricted to households meeting pre-defined income thresholds through a restrictive covenant. After this ten-year period, the unit would no longer be resale restricted and could be sold on the open market.

Program Assessment

This mechanism will provide weak affordability over the long term. For the first ten years, these units would be maintained at a level of affordability equivalent to the established income threshold at the time of construction or approval. However, after this ten-year resale restriction expires, the home would become a standard market unit and affordability would likely be lost.

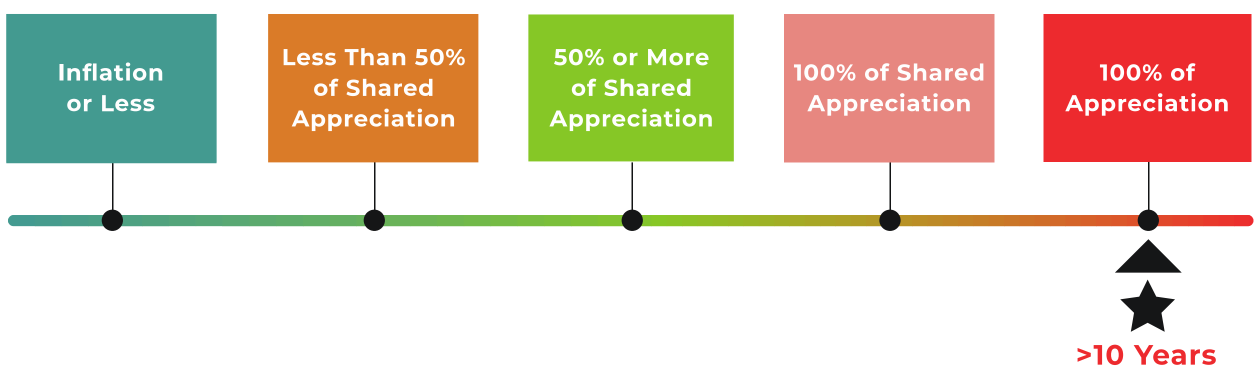
WEALTH GENERATION OVER TIME

Households would have the ability to generate wealth after the 10-year resale restriction period.

Program Assessment

For the first ten years, units secured through the Deeper Affordability option would be separate from the open market. Changes to real estate prices across the city would have limited effect on the resale price of the affordable dwelling because the sale price is based on household income. Households would retain the value they paid into their mortgage from this period. This likely allows for improved wealth generation over continuing to rent, but not through appreciation of the home itself.

After the ten-year restrictive covenant expires, the household would be able to sell their home on the open market and accumulate wealth if the home has appreciated in value. The sales price would now be the full market value.

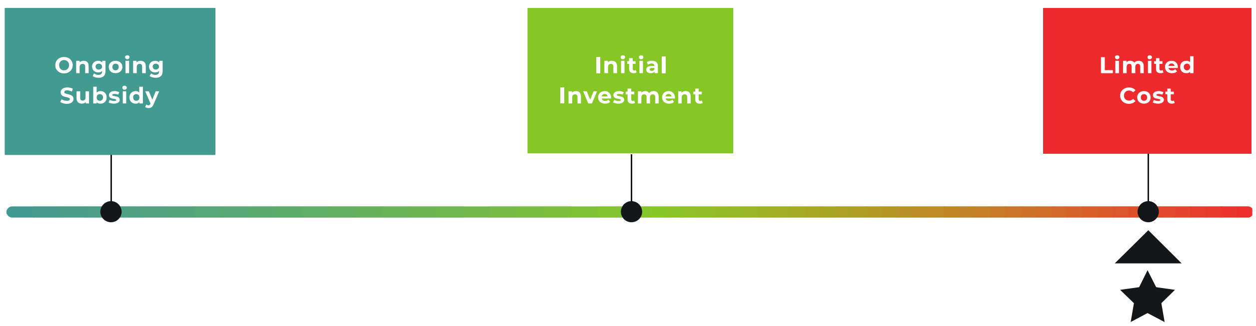


COST TO GOVERNMENT

Units secured through the Deeper Affordability Bonus would be owner or developer driven and should not bring any meaningful increase in capital or operational cost to the City.

Program Assessment – Capital

There is minimal direct cost to government in implementing the Deeper Affordability Bonus. No direct subsidy or capital expenditure is required. Economic analysis undertaken for the City of Portland assumed property tax and development fee exemptions, but this was not built into the current framework as a default incentive.[67] Considering analysis has found the projects require additional subsidies for feasibility, the program could be more successful with government subsidies.



Program Assessment – Operations

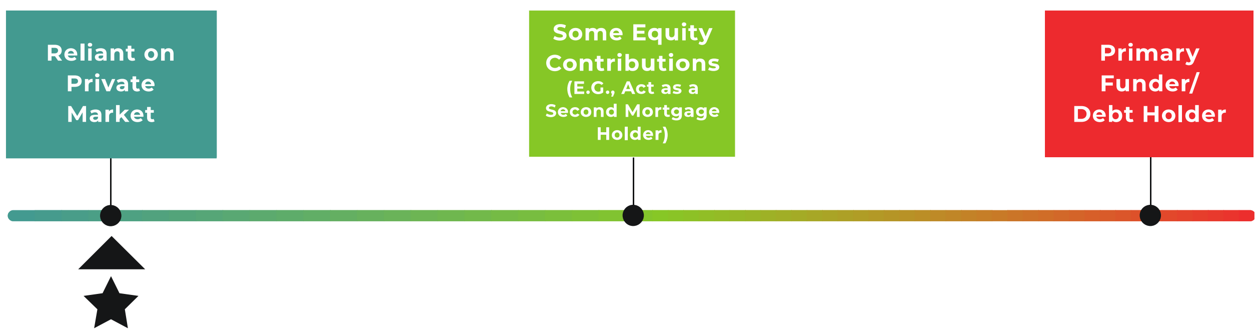
Some staff time is required to process development applications and establish resale restrictions, which is similar to a standard development approval. Development application processing would consist of plan checking for consistency against the established framework rather than a full development approvals process with a rezoning and public hearing. Additional staff time could be required to manage income testing and monitor compliance.

The Portland Housing Bureau expressed concern with increasing the complexity of their compliance portfolio, with most current affordable units in multi-unit zones and commercial corridors. However, it was also acknowledged these changes were in line with the aim to diversity the type and location of affordable dwellings and the City's goal to expand the overall affordable housing supply. Depending on the uptake of these new development options, the Housing Bureau may need to scale up their operations.

[67] Jerry Johnson. Economic Analysis of Proposed Changes to the Infill Development Standards. Johnson Economics. November 29 2018.

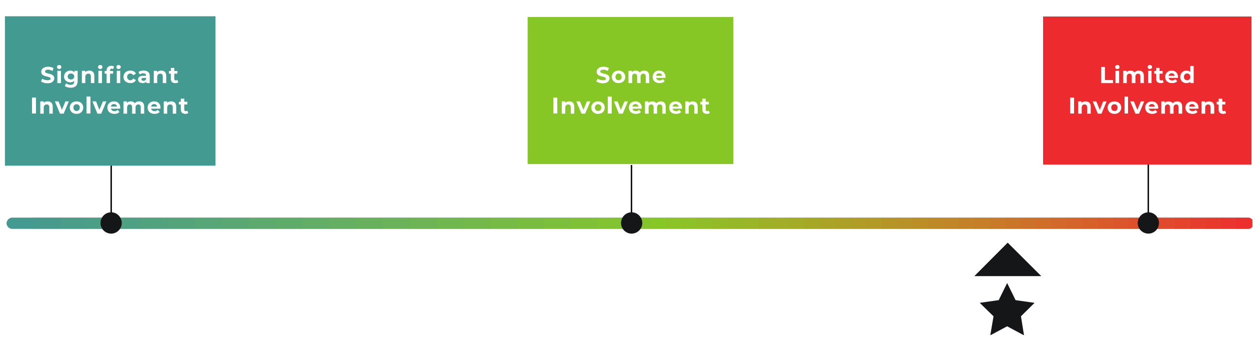
RISK TO GOVERNMENT

There is very little risk to the government with no direct costs beyond staff time to process basic applications, establish restrictive covenants, and any necessary compliance monitoring. There would be no direct municipal government involvement in realizing or carrying the projects, which would be brought forward by private for- or non-profit developers. Some approvals would have to be made, and agreements approved, but the project proponent would have to undertake most of the effort to demonstrate the project is feasible within the established framework.



EASE OF IMPLEMENTATION

Applying the RIP zoning regulations to any given development should be consistent across projects. The biggest challenge would be to establish a workable framework allowing for the creation of the affordable units. As currently defined, it appears the Deeper Affordability Bonus framework is not financially feasible without additional external funding.



SCALABILITY

This approach would be highly scalable due to its decentralized and incremental approach. The affordable home ownership program proposed through the RIP Deeper Affordability Bonus is ultimately more of a regulatory framework than a directly administered program. Each project creating units through this framework would require a restrictive covenant to be signed. There are few exceptions or variances allowed from the Deeper Affordability Option zoning parameters, and the conditions are pre-zoned across the city's single detached districts, thereby reducing staff time to administer and approve each individual project.

Program Assessment

With the Deeper Affordability Bonus allowed as-of-right through the zoning bylaw, the approach is highly scalable and would be implemented incrementally by individuals. The rules and parameters are set out as a standardized program.

OTHER CONSIDERATIONS

The changes established through the RIP process are also tied to addressing historical inequities in housing. While some populations and neighbourhoods have prospered, Black, Latino, Native American, and immigrant households have faced structural barriers to housing stability and economic mobility. This dynamic was enforced through explicit and implicit means, such as racially restrictive covenants and discriminatory lending rules excluding people of colour. The racial segregation established through these policies largely remains today and diversifying the type and price of housing throughout all neighbourhoods of the city is seen as a step to addressing systemic barriers.[68] The RIP amendments build upon and implement Portland's Comprehensive Plan to address equity, prevent displacement, and improve housing affordability.

[68] Residential Infill Project. Volume 1: Staff Report and Map Amendments. August 12, 2020

By allowing for a greater diversity of housing throughout the city, a broader range of households will have the opportunity to access high opportunity neighbourhoods. A key challenge to this effort will be steering redevelopment towards these high opportunity areas, where land prices are higher and profit potential may be more limited. It will be important to reduce the concentration of development activity away from the neighbourhoods where traditionally marginalized populations live to minimize their displacement from their current relatively affordable units.[69]

[69] Residential Infill Project. Volume 1: Staff Report and Map Amendments. August 12, 2020

Housing Foundation

New Zealand

PROGRAM OBJECTIVE

Housing Foundation has designed the Shared Ownership Programme to provide homes affordable to working households that want to move out of rental or social housing and can sustain a modest mortgage but do not have sufficient savings for a large down payment. Feedback from Housing Foundation staff indicates households that have sold their Shared Ownership Programme homes have been able to buy a market home. This is contingent on geography to some extent. Upon selling their Shared Ownership Programme home, households living in rural areas may be challenged to afford the price of a home in an urban setting, such as Auckland.

Program Assessment

This Programme is an avenue for wealth generation, as households can sell their Shared Ownership Programme homes on the market without price restrictions in-place.

UNIT AFFORDABILITY OVER TIME

The Shared Ownership Programme prioritizes household equity building over long-term unit affordability. When a household chooses to move or sell their unit, it is offered back to Housing Foundation for purchase. If Housing Foundation determines the unit to be affordable, they then purchase the unit back and offer it to another household at an affordable market price. However, if the home has increased in value beyond what Housing Foundation deems to be affordable, the home will be sold on the market.[70]

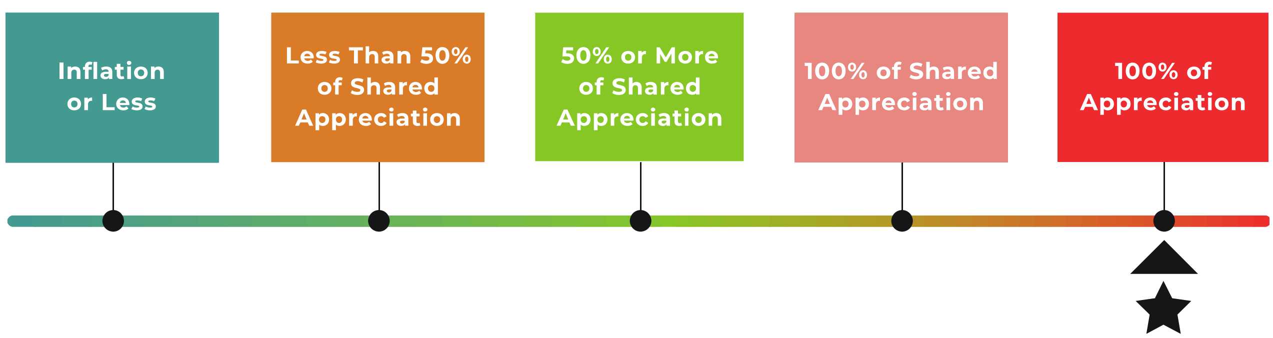
[70] In certain areas of Auckland, it is common for house prices to exceed what Housing Foundation can afford to buy back. Ideally, households will retain their home and Housing Foundation will continue to build new homes as the organizational mandate focuses on creating new supply, versus recycling houses to other eligible buyers. The buyback option is exercised if a household experiences challenges during their shared ownership tenure. The ongoing challenge for Housing Foundation is to keep finding land in the right locations to build new affordable housing, less so the buyback limitations.

Program Assessment

As there are no parameters in-place to restrict the sale price of a unit, a household can capitalize on any appreciation that has occurred over time. This means that unit affordability is effectively "lost" once a unit is sold, yet households can leverage their investment and purchase a market home without assistance.

WEALTH GENERATION OVER TIME

The Programme is designed to build equity as ownership share grows in proportion to investment. Should a Programme participant decide to move, they are able to sell their share (e.g., 60%) back to the Housing Foundation based on an independent valuation or they can sell the unit on the open market with the proceeds being shared with Housing Foundation according to the ownership percentage (e.g., 60%/40%). The Programme is designed for participants to reach full ownership in 15 years. At any time during those 15 years, the home can be sold on the open market and Programme participants would receive proceeds equivalent to their current share of the home (e.g., 60%).



COST TO GOVERNMENT

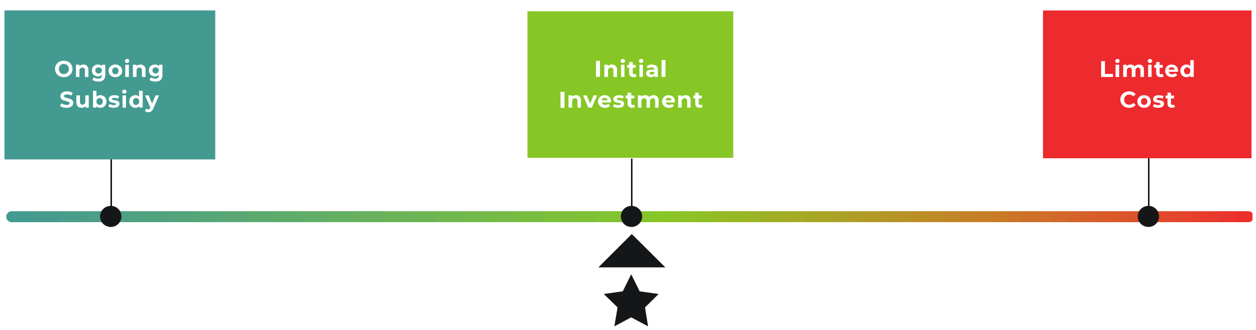
The Shared Ownership Programme has delivered hundreds of affordable homes for New Zealand households without significant government investment. While this changed recently with the federal government's Progressive Home Ownership Fund, the financial model used by Housing

Foundation to deliver affordable housing relies primarily on the availability of low-cost land, development margins, capital gains when households buy out at current market prices, and revenue received through their Rent-to-Own Programme.

The Progressive Home Ownership Fund provides 15-year loans to eligible housing providers. There is hope among housing providers this loan may be converted to a grant, given government's commitment to affordable housing. It is anticipated the Progressive Home Ownership Fund will continue to be part of Government's annual operating budget beyond 2023/2024. With an ongoing financial commitment, there is some cost to government, yet the Shared Ownership Programme was operating without significant government involvement until recently.

Program Assessment – Capital

Housing Foundation has successfully operated without the involvement of senior government for many years. With the Progressive Home Ownership Fund, Housing Foundation has accessed some funding from federal government. Should this Fund be continued, the assessment would need to reflect "ongoing subsidy"; however, at this time there has been an initial investment made to support housing providers across the country.



Program Assessment – Operations

This Programme is reliant on Housing Foundation staff to navigate and monitor participant eligibility, daily operations, enforcement, and new construction. Given that Housing Foundation's

primary purpose is to assist lower income households to become homeowners, staff at the non-profit play a key role in program delivery.

RISK TO GOVERNMENT

The context has shifted recently as Housing Foundation had previously run its housing Programmes without government involvement. The federal government's own home ownership initiative (Progressive Home Ownership) changed this dynamic, allocating NZ $400 million to support more individuals and whānau[71] into home ownership. The Progressive Home Ownership Fund is available to eligible housing providers with a proven track record in securing finance to provide home ownership opportunities.

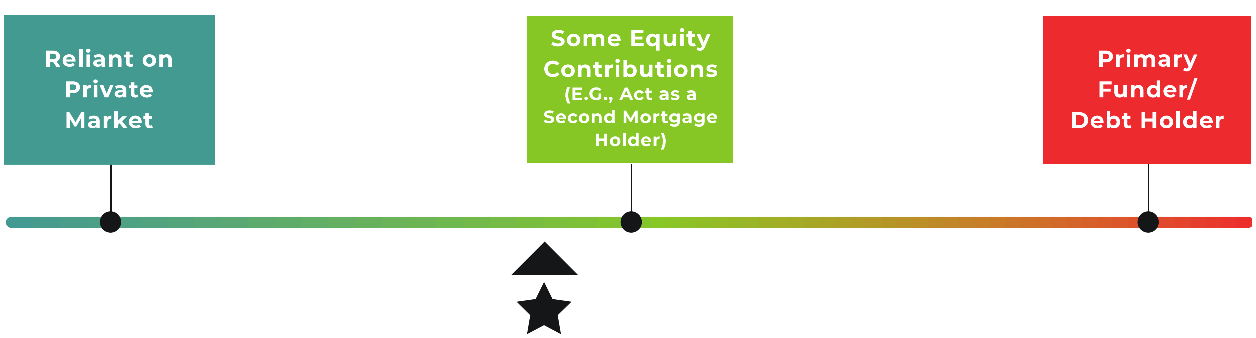
To become an approved Progressive Home Ownership provider, organizations must show that they have:

- A sound financial situation;
- Good governance practice;
- Sound organizational processes;
- Designed a viable PHO product;
- Financial institutions willing to work with the product; and
- An ability to work with households.

All providers are continually building and providing home ownership opportunities so the additional funding available through the Fund simply enables them to scale-up. The risk to government is minimal – especially as there is an appreciating asset being provided.

Program Assessment

Government has only recently committed significant funding to the Shared Ownership Programme, meaning there is limited risk as their contributions have gone toward a self-sustaining program in operation for two decades. The financial contributions are in the form of a



[71] Whānau is often translated as 'family', but its meaning is more complex. It includes physical, emotional, and spiritual dimensions. Whānau is based on a Māori and tribal world view. It is through the whanau that values, histories, and traditions from the ancestors are adapted for the contemporary world.

loan, so there is some potential risk the loan will not be repaid. However, government limits the likelihood of loan default by requiring housing providers to demonstrate their organizational strength.

EASE OF IMPLEMENTATION

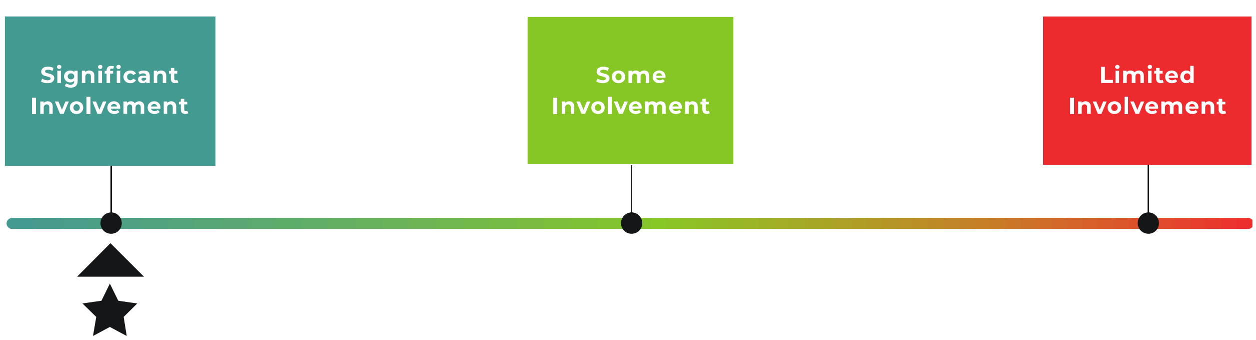
Housing Foundation's organizational mandate is to provide or assist with the provision of affordable housing for low-income persons. Given this focus, there is internal capacity to administer their Shared Ownership and Rent-to-Own Programmes. The Shared Ownership Programme requires applicants to pay an application fee each time additional shares in the property are purchased, as well as an annual management fee to cover operational overheads and general property administration.

Housing Foundation recognizes Shared Ownership homes as being owned by the household. Each program participant is required to pay all taxes, insurance, power, water, and any property maintenance. Housing Foundation schedules a review with each household on an annual basis to monitor their overall wellbeing and how well the home is being maintained. These annual check-in meetings help to ensure the Shared Ownership program is operating efficiently and effectively for program participants.

From a program participant perspective, Housing Foundation is continually reviewing the "customer journey" to ensure the program is easily navigable. Applicants utilize an online application system, which Housing Foundation is in the process of updating due to navigation issues. Programme administrators are also able to assess which Programme is most suitable for applicants based on their financial circumstances.

Program Assessment

Housing Foundation is primarily focused on the provision of affordable housing for low-income households and has the organizational capacity to fulfill this mandate. By charging an application fee and annual management fee, the organization can cover some of their administrative costs and support staff.



SCALABILITY

The program has been highly scale-able in the New Zealand context given the availability of low-cost land. Housing Foundation also has a defined system in-place providing consistent funding to finance the construction of new homes. Many of the homes created through the Shared Ownership Programme are in Auckland and Christchurch, where there is limited higher-density residential development. Public opinion and government policy have recently started to change, enabling more intensive forms of residential development, such as terraced housing and apartments. In contexts with limited low-cost land available, higher density housing options are required to achieve sufficient affordability.

Program Assessment

The Shared Ownership Programme has a defined shared equity structure applicable to any household looking to purchase a new unit. Minimum and maximum income thresholds are dependent on project location, which can introduce an element of program flexibility. As Housing Foundation's model is contingent on new construction, there are some limitations to scalability because the availability of affordable land can limit the viability of new construction. Each project will require a careful evaluation of development margins, yet capital gains received when households buy out of the program, and income received through the Rent-to-Own Programme, provide a constant revenue source to cover the costs of new construction.

APPENDIX B

Mustel Group Affordable Home Ownership Survey Summary Report

November 2021

City of Vancouver Affordable Home Ownership Survey

CITY SPACES

MUSTEL GROUP
MARKET RESEARCH

Foreword

Introduction

- On behalf of the City of Vancouver, CitySpaces commissioned Mustel Group to conduct a survey among Vancouver residents who are currently non-homeowners and between 25 and 55 years of age. The purpose of the survey was to measure interest in two potential non-traditional homeownership programs, as well as understand the homeownership needs and preferences of this group in terms of housing typology, number of bedrooms, and neighbourhood, etc.

Methodology

- To achieve the objectives of this research, an online survey methodology was employed, using Mustel Group's own research panel, *Giving Opinions*, supplemented by trusted panel partner, Asking Canadians.

- The following screening criteria was used to qualify respondents for the survey:
  - Must be a resident of the City of Vancouver;
  - must not own home, and must not have owned property in Metro Vancouver within the past 5 years;
  - must be interested in purchasing a home as a primary residence;
  - must be 25 – 55 years of age.

- A total of 506 residents were surveyed, of which 447 met the qualifying criteria and completed the full survey. The remaining 59 respondents are not interested in owning a home and were therefore excluded from the survey.

- The sample was weighted on the cross section (including all 506 respondents) to match 2016 Canada census stats on the basis of age, gender, and neighbourhood to bring the total sample into proper proportion based on relative populations.

- The margin of error on a sample size of 447 is ± 4.6 percentage points, 19 times out of 20. Please note that margin of error applies to random probability samples only and therefore is provided strictly for reference.

- *Giving Opinions* is a proprietary research panel owned and maintained by Mustel Group. All *Giving Opinions* panelists have been recruited via a random probability sampling method.

- *Asking Canadians* is a highly reputable national panel, representative of the Canadian population. Panelists are recruited by a double opt-in method from large databases of reputable channels using industry standards of panel quality assurance, validation, verification and best practices for panel management. Panelists receive point system rewards for participation in surveys.

- Data collection dates were Oct 25th to Nov 5th, 2021.

- A copy of the questionnaire is appended.

Executive Overview

Appeal Of Homeownership

- Among non-homeowners in the City of Vancouver, the **top 3 reasons** why homeownership is appealing are the ability to build equity (61%), security of tenure (46%), and control over design and renovations (36%).
- The **topmost reasons** non-owners provided for why homeownership is appealing are the ability to build equity (37%), followed by security of tenure (24%).

Housing Needs & Preferences

- Overall, **most residents would require two bedrooms or more**, with nearly one-half needing a home with two bedrooms (47%) and one-third needing a home with three bedrooms (30%).
- Townhouse/ rowhouse, condominium, and single-family detached house are the **top 3 preferred home types** with the latter being the **topmost choice** (mentioned by nearly one-half overall).
- Overall, among those who mentioned not being able to afford homes in their preferred neighbourhoods as a barrier to homeownership (n=164), **Kitsilano** is most preferred (40%), followed by **Mount Pleasant** (30%), **West End** (26%), and **Downtown** (22%).

Size and Sources of Down Payment

- The majority (two-thirds of non-homeowners) could afford a down payment of **$100,000 or less** if purchasing a home in the next 3 years (66%).
- For most non-homeowners, **personal savings** would be the primary source of funds for a down payment (84%), followed by a **loan from a financial institution** (39%).

Barriers to Homeownership

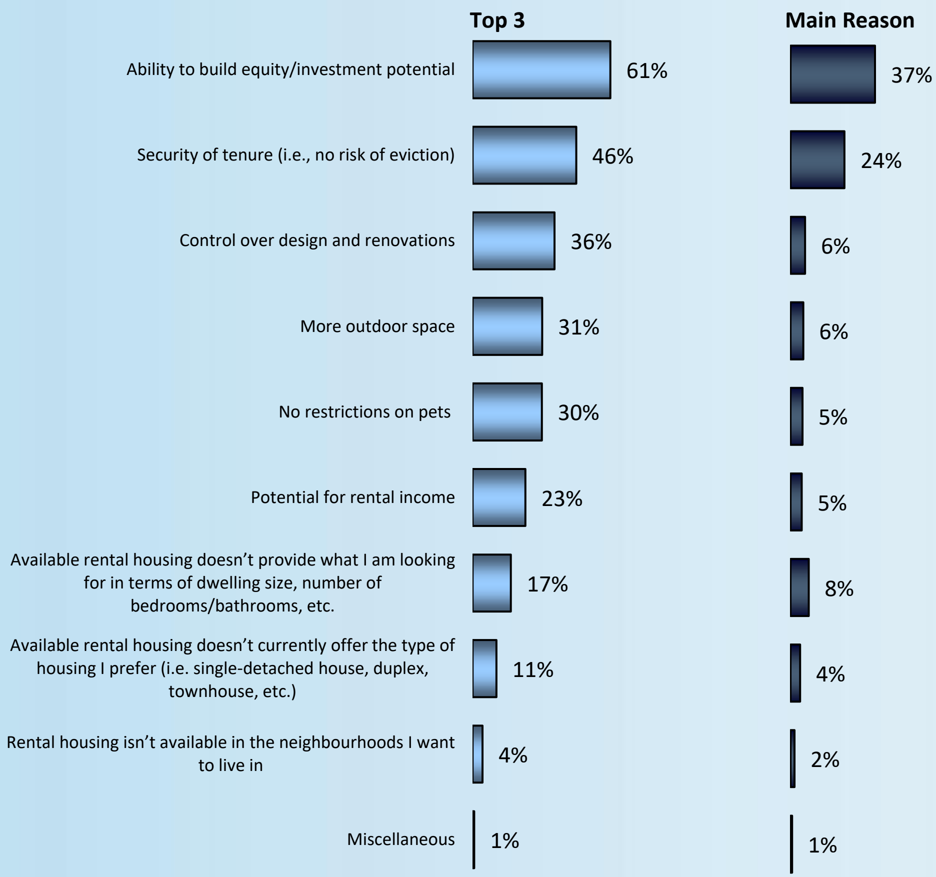
- The **top 3 barriers** to homeownership are cannot afford down payment (58%), cannot afford monthly ownership costs (39%), and a lack of affordable homes in desired neighbourhoods (36%).
- The **top barrier** to **homeownership**, mentioned by more than one-third, is not being able to afford the down payment (38%).

Interest in Affordable Homeownership Programs

- Similar levels of interest are expressed in two programs tested in the survey, with 67% showing interest in a program that would appreciate at roughly the rate of inflation, and 65% in a program that would offer a portion of market appreciation upon selling.
- Just over three-quarters expressed interest in one program or the other (77%), and more than one-half were interested in both (55%). Just over one-in-five were not interested or unsure of either program (23%).

Detailed Findings

Appeal Of Homeownership

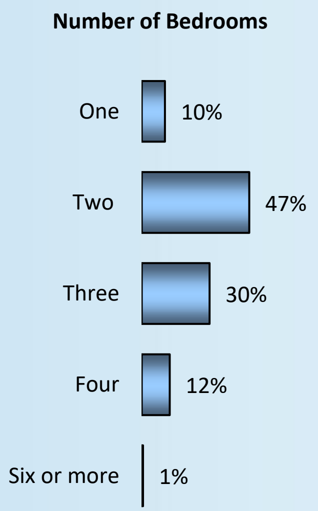


Base: Total qualifiers (n=447)

Q.6) Why is home ownership appealing?

- Among non-homeowners in the City of Vancouver, the top 3 reasons why homeownership is appealing are the ability to build equity (61%), security of tenure (46%), and control over design and renovations (36%).
- Other common reasons include more outdoor space (31%), no restrictions on pets (30%), and potential for rental income (23%).
- The topmost reasons non-owners provided for why homeownership is appealing is the ability to build equity (37%), followed by security of tenure (24%).
- Those 45 – 55 year of age were more likely to covet outdoor space compared with those 25 – 44, as were females over males and couples over singles.
- Households earning $100,000 to $149,999 were the most likely to mention 'ability to build equity' in their top 3 reasons why homeownership is appealing.

Number Of Bedrooms Needed



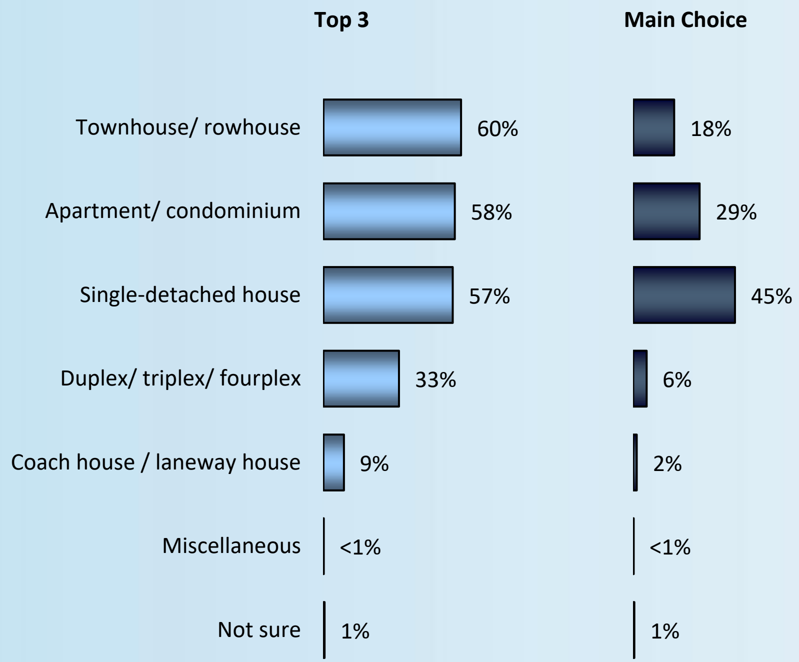
<u>Average</u>
2.5 Bedrooms

- Overall, most residents would require two bedrooms or more, with nearly one-half needing a home with two bedrooms (47%) and a further one-third needing a home with three bedrooms (30%). Just over one-in-ten need 4 bedrooms and roughly the same number need just one bedroom (10%).
- Those with children are somewhat more likely than those without to need three or more bedrooms.

Base: Total qualifiers (n=447)

Q.7) How many bedrooms would you need if purchasing a home?

Preferred Home Typology

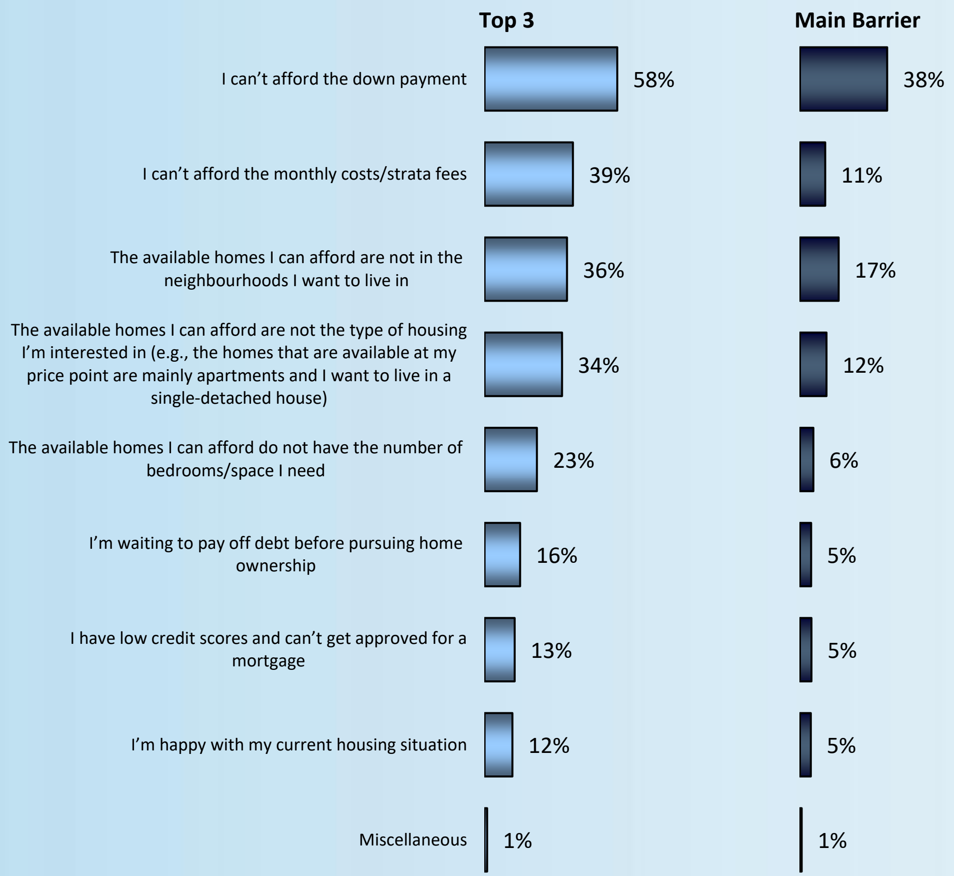


Base: Total qualifiers (n=447)

Q.8) What type of home would you consider purchasing?

- Townhouse/ rowhouse, condominium, and single-detached house are the top 3 preferred home types, each mentioned by about six-in-ten (60%, 58%, and 57% respectively), followed by duplex/ triplex/ fourplex, mentioned by one-third (33%).
- The top housing choice among non-homeowners in the City of Vancouver is a single-detached house, mentioned by nearly one-half (45%), followed by condominium (29%), and townhouse (18%).
- Preference for condominiums is strongest among the youngest age segment (68% among 25–34-year-olds compared with 50% among 35–44-year-olds, and 48% among 45–55-year-olds). Similarly, men and those without children are somewhat more likely to prefer this housing type.
- Those with children are more likely than those without to prefer a single-family detached home, as are couples compared with singles.
- Couples without children are the most likely to prefer a townhouse/ rowhouse, as are households earning greater than $60,000 per year.
- Coach house/laneway house is most popular among those 45 – 55 years of age.

Barriers Preventing Homeownership



Base: Total qualifiers (n=447)

Q.6) What is preventing you from pursuing home ownership in Vancouver?

- The 3 top barriers to homeownership are cannot afford down payment (58%), cannot afford monthly ownership costs (39%), and a lack of affordable homes in desired neighbourhoods (36%).
- Other commonly mentioned barriers include a lack of desired home type in price range (34%), and homes within price range do not have desired number of bedrooms or space (23%).
- The top barrier to homeownership, mentioned by more than one-third and most often by those earning less than $150,000 per year, is not being able to afford the down payment (38%).
- Households earning greater than $150,000 per year are the most likely to mention 'The available homes I can afford are not the type of housing I'm interested in' as their top barrier to pursuing homeownership (26% vs 10 – 17% among other income categories).
- Couples are somewhat more likely than singles to mentioned homes within price range do not have desired number of bedrooms or space (10% vs 2%) as a barrier.

MUSTEL GROUP
MARKET RESEARCH

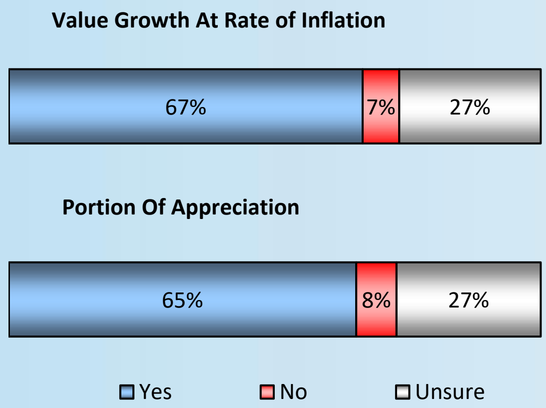
CITY SPACES

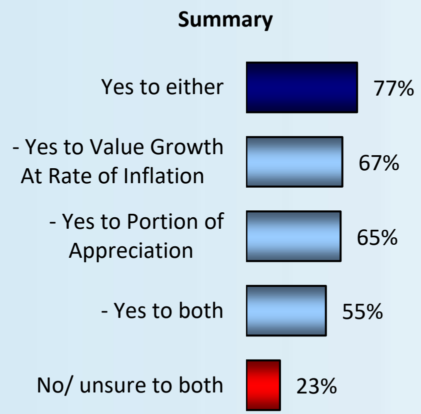
Preferred Neighbourhoods

Base: Can't afford homes in preferred neighbourhoods	Total (164) %
Kitsilano	40
Mount Pleasant	30
West End	26
Downtown	22
West Point Grey	17
Fairview	16
Grandview-Woodland	11
Renfrew-Collingwood	11
Hastings-Sunrise	9
Arbutus Ridge	9
Oakridge	9
South Cambie	8
Kerrisdale	7
Kensington-Cedar Cottage	6
Riley Park	6
Shaughnessy	5
Dunbar-Southlands	5
Strathcona	4
Killarney	4
Victoria-Fraserview	3
Sunset	2
Downtown Eastside	2
Marpole	2
Q.9i) Which neighbourhood do you want to live in?	

- Overall, among those who mentioned not being able to afford homes in their preferred neighbourhoods as a barrier to homeownership (n=164), Kitsilano is most preferred (40%), followed by Mount Pleasant (30%), West End (26%), and Downtown (22%).
- Other popular neighbhourhoods, mentioned by more than one-in-ten each, include West Point Grey (17%), Fairview (16%), Grandview-Woodland 11%), and Renfrew-Collingwood (11%).
- Mount Pleasant is more popular among those under 45 years of age, while Kerrisdale is more popular with those under 35 years of age.
- Women are somewhat more likely than men to show a preference for Fairview (24% vs 10%) and Grandview-Woodland (17% vs 6%).

Interest in Affordable Homeownership Programs





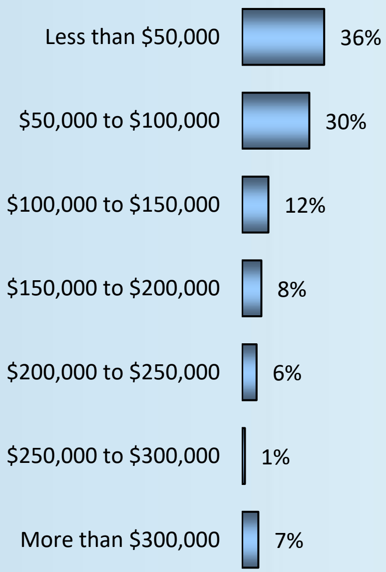
Base: Total qualifiers (n=447)

Q.10) Would you be interested in an affordable home ownership program where your home value would not appreciate more than inflation (i.e., the level of affordability would remain approximately equal for future buyers) but upon selling you could get back your down payment and the money you paid into the mortgage while you lived there?

Q.11) Would you be interested in an affordable home ownership program where your home did not experience full market value increases (i.e., the home would remain somewhat affordable to future buyers) but upon selling you could get back your down payment and the money you paid into the mortgage while you lived there, as well as some portion of appreciation (e.g., 75% of the market appreciation would be kept by the seller, and the rest would be used to maintain a lower price for future households)

- Interest in two potential affordable homeownership programs was measured in the survey (see descriptions below).
- Similar levels of interest are expressed in the two programs, with 67% showing interest in a program that would appreciate at roughly the rate of inflation, and 65% in a program that would offer a portion of market appreciation upon selling.
- Just over three-quarters expressed interest in one program or the other (77%), and more than one-half were interested in both (55%). Just over one-in-five were not interested or unsure of either program (23%).
- Those 45 – 55 years of age are slightly less likely than those 25 – 34 years of age to take an interest in the program that provides appreciation at the rate of inflation, as are those with children.
- Men showed slightly more interest than women in the program that provides a portion of market appreciation upon selling, and women tended to answer “unsure” to both programs more often than men.
- Couples showed more interest than singles in the program that offers a portion of market appreciation upon selling (12% vs 4%).

Size of Contribution toward Down Payment

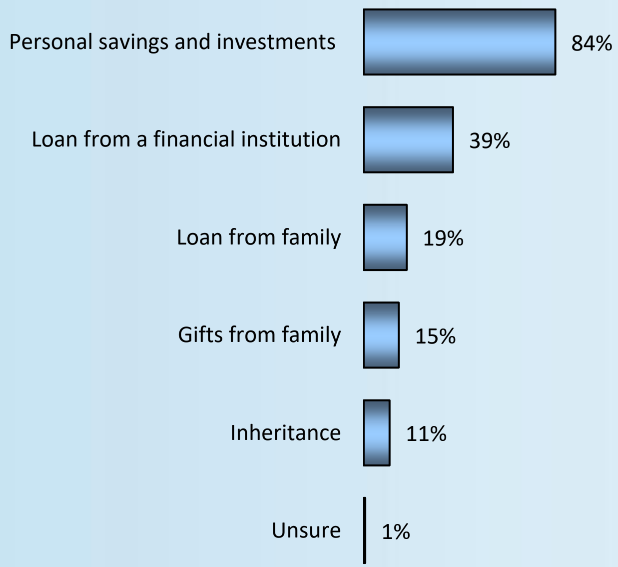


- The majority (two-thirds of non-homeowners) could afford a down payment of $100,000 or less if purchasing a home in the next 3 years (66%).
- Just over one-third would have less than $50,000 for a down payment (36%), and another one-third would be able to contribute $50,000 to $100,000 (30%).
- Just over one-in-ten could contribute $100,000 to $150,000 (12%), and just over one-in-five would have the ability to contribute more than $150,000 (22%).
- Households earning less than $60,000 per year are the most likely to have less than $50,000 available for a down payment (55% vs 7 to 39% among other income categories).

Base: Total qualifiers (n=447)

Q.12) If you were to purchase a home in the next 3 years, how much money would you be able to contribute toward a down payment?

Down Payment Source



Base: Total qualifiers (n=447)

Q.13) What would be the source of funds for your down payment?

- For most non-homeowners, personal savings would be the primary source of funds for a down payment (84%), followed by a loan from a financial institution (39%).
- Households earning $60,000 or more per year are more likely than those earning less than $60,000 to fund their down payment through personal savings.
- Of those expecting to fund their down payment through family, 19% would receive a loan, 15% would receive a gift, and a further 11% would use an inheritance. Those who live with parents or in intergenerational households are the most likely family type to expect a loan or gift from family.
- Those under 45 years of age are somewhat more likely than those 45 years of age and older to expect to a gift from family.

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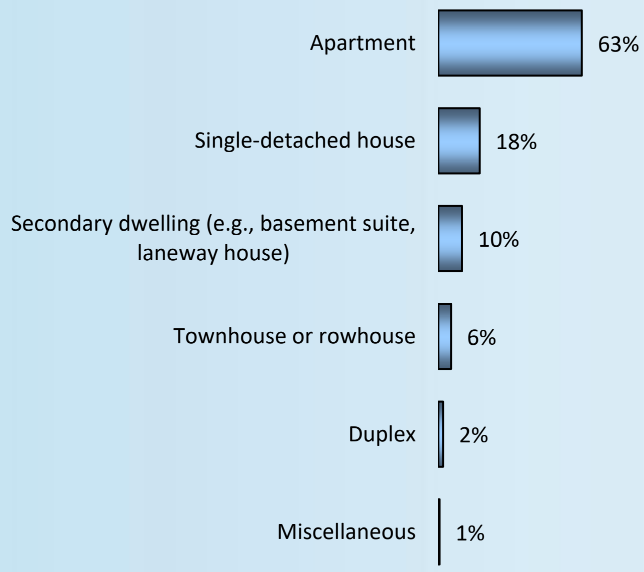
CITY SPACES

Current Home Type



- Approximately six-in-ten currently live in an apartment (63%), roughly one-in-five live in a single-detached house (18%), one-in-ten live in a secondary dwelling (10%), and a further one-in-ten live in a townhouse, rowhouse, duplex, or other dwelling type (9%).
- Those with children are somewhat more likely than those without to live in a townhouse/ rowhouse, duplex, or single-family detached house.

Base: Total qualifiers (n=447)

Q.14) My current home is a:

Demographics

MUSTEL GROUP
MARKET RESEARCH

CITY SPACES

Demographic Profile

	Total Renters (506) %	Total Qualifiers (447) %
Gender		
Woman	55	55
Man	44	44
Two-spirit	1	1
Non-binary	1	<1
Age		
25 to 34	46	46
35 to 44	30	31
45 to 54	25	23
Type of residence		
Apartment	-	63
Single-detached house	-	18
Secondary dwelling (e.g., basement suite, laneway house)	-	10
Townhouse or rowhouse	-	6
Duplex	-	2
Other	-	1
Household income		
Less than $20,000	-	5
$20,000 to $39,999	-	10
$40,000 to $59,999	-	15
$60,000 to $79,999	-	20
$80,000 to $99,999	-	15
$100,000 to $124,999	-	9
$125,000 to $149,999	-	4
$150,000 to $174,999	-	4
$175,000 to $200,000	-	4
More than $200,000	-	7
Prefer not to say	-	8

	Total Renters (506) %	Total Qualifiers (447) %
Household		
Single; I live by myself		35
Roommates; I live with one or more roommates I am not related to		11
Couple; I live with my partner without children		31
Couple with children; I live with my partner and my child/children		11
Single parent; I live with my child/children		2
With parents or relatives; I live with my parents or relatives due to financial or other necessity		8
Intergenerational family household; I live with my parents, siblings, or other direct family member(s) and we would like to stay together as a single household		3
Length of Residency		
Less than 1 year	5	4
1 to 3 years	14	14
4 to 5 years	13	13
6 to 10 years	15	16
11 to 20 years	19	20
More than 20 years	34	34

MUSTEL GROUP MARKET RESEARCH

CITY SPACES

Demographic Profile

	Total Renters (506) %	Total Qualifiers (447) %
Area of residence		
West	**58**	**58**
West End	17	16
Downtown	12	13
Kitsilano	9	10
Fairview	8	8
Marpole	4	4
Downtown Eastside	2	3
South Cambie	1	1
Arbutus Ridge	1	1
Oakridge	1	1
West Point Grey	1	1
Shaughnessy	1	1
Dunbar-Southlands	1	1
Kerrisdale	1	<1
East	**42**	**42**
Mount Pleasant	8	9
Grandview-Woodland	7	7
Renfrew-Collingwood	5	6
Kensington-Cedar Cottage	6	5
Sunset	4	4
Hastings-Sunrise	3	3
Victoria-Fraserview	2	2
Riley Park	3	2
Killarney	2	2
Strathcona	2	2

	Total Qualifiers (447) %
Ethnicity	
Total Indigenous	3
First Nations	2
Métis	1
Indigenous / Aboriginal	<1
White (North America, European, etc.)	42
Chinese	21
Latin American / Hispanic	9
Indian	5
Filipino	4
South Asian	2
Vietnamese	2
Southeast Asian	2
Black (North American, Caribbean, African, etc.)	2
Korean	1
Iranian	1
Pakistani	1
Japanese	1
Malaysian	<1
Arab	<1
Other	1
I don't identify with any of these categories	3
Don't know	1
Prefer not to answer	5

MUSTEL GROUP
MARKET RESEARCH

CITY SPACES

Demographic Profile

	Total Qualifiers (447) %	Total Singles (201) %	Total Couples (188) %
Household income			
Less than $20,000	5	7	<1
$20,000 to $39,999	10	18	2
$40,000 to $59,999	15	20	10
$60,000 to $79,999	20	23	19
$80,000 to $99,999	15	15	14
$100,000 to $124,999	9	7	13
$125,000 to $149,999	4	1	7
$150,000 to $174,999	4	-	7
$175,000 to $200,000	4	2	6
More than $200,000	7	2	14
Prefer not to say	8	4	9

Questionnaire

C237 City Spaces COV Affordable Housing Survey

We need to define the purpose of the AHO program – which relates to what problem the City is trying to solve with this program. By understanding why people want to own and what is preventing them from owning, we can tailor the AHO program purpose accordingly.
This survey will target ~500 non-owners, between the ages of 25 to 54.

Screening Questions

1. How long have you lived in the City of Vancouver?
    a. Less than 1 year
    b. 1 to 3 years
    c. 4 to 5 years
    d. 6 to 10 years
    e. 11 to 20 years
    f. More than 20 years
    g. I do not live in the City of Vancouver → END SURVEY

2. Do you currently, or have you owned your home or any other residential property in Metro Vancouver within the last five years?
    a. Yes → END SURVEY
    b. No → Question 3

3. If you were financially able to do so, would you be interested in purchasing a home to live in as your primary residence?
    a. Yes → Question 5
    b. No → END SURVEY

4. What is your gender identity?
    a. Woman
    b. Non-binary
    c. Man
    d. Two-spirit
    e. Prefer to self-describe. Self-describe: _____

5. How old are you?
    a. Less than 25 → END SURVEY
    b. 25 to 34
    c. 35 to 44
    d. 45 to 54
    e. 55 or over → END SURVEY

Survey

6. Why is home ownership appealing? (Please choose up to 3) IF MORE THAN 1 SELECTED: Which is your top or main reason?
    a. Security of tenure (i.e., no risk of eviction)
    b. Control over design and renovations
    c. Ability to build equity/investment potential
    d. Potential for rental income
    e. Rental housing isn't available in the neighbourhoods I want to live in
    f. Available rental housing doesn't provide what I am looking for in terms of dwelling size, number of bedrooms/bathrooms, etc.
    g. Available rental housing doesn't currently offer the type of housing I prefer (i.e. single-detached house, duplex, townhouse, etc.)
    h. No restrictions on pets
    i. More outdoor space
    j. Other: Please specify

7. How many bedrooms would you need if purchasing a home? Please include an additional bedroom for a home office if this is necessary for your household.
    a. One
    b. Two
    c. Three
    d. Four
    e. Other: please specify

8. What type of home would you consider purchasing? Please choose up to 3. IF MORE THAN 1 SELECTED: And which type of home would you be most interested in purchasing?
    a. Apartment / condominium
    b. Townhouse / rowhouse
    c. Duplex / triplex / fourplex
    d. Single-detached house
    e. Coach house / laneway house
    f. Other: please specify

9. What is preventing you from pursuing home ownership in Vancouver? Please choose up to 3. IF MORE THAN 1 SELECTED: And which is your top or main barrier?
    a. I can't afford the down payment
    b. I can't afford the monthly costs/strata fees
    c. I have low credit scores and can't get approved for a mortgage
    d. I'm waiting to pay off debt before pursuing home ownership
    e. I'm happy with my current housing situation
    f. The available homes I can afford are not in the neighbourhoods I want to live in
        i. Which neighbourhood do you want to live in? (list options)
    g. The available homes I can afford do not have the number of bedrooms/space I need
    h. The available homes I can afford are not the type of housing I'm interested in (e.g., the homes that are available at my price point are mainly apartments and I want to live in a single-detached house)
    i. Other: please specify

The City of Vancouver is completing a study on Affordable Homeownership. There are many different policies and program options the City is reviewing as part of this process.

In many affordable home ownership programs, the price the home can be resold for is restricted, so the housing is not just affordable to the first buyer, but every subsequent buyer as well. Typically, when someone sells a unit in an affordable home ownership program, they are able to keep the initial down payment and the money they paid into the mortgage. Some programs also provide a seller with a portion of the appreciation (usually tied to inflation or a particular share of the value increase).

10. Would you be interested in an affordable home ownership program where your home value would not appreciate more than inflation* (i.e., the level of affordability would remain approximately equal for future buyers) but upon selling you could get back your down payment and the money you paid into the mortgage while you lived there?
    a. Yes
    b. No
    c. Unsure

    * Value growth at the rate of inflation would approximately equal +1.5% per year. At this rate, a $500,000 home would increase in value to approximately $531,000 after 5 years, and most of the affordability would be maintained for the next buyer.

11. Would you be interested in an affordable home ownership program where your home did not experience *full* market value increases (i.e., the home would remain *somewhat* affordable to future buyers) but upon selling you could get back your down payment and the money you paid into the mortgage while you lived there, **as well as some portion of appreciation** (e.g., 75% of the *market* appreciation* would be kept by the seller, and the rest would be used to maintain a lower price for future households)
    a. Yes
    b. No
    c. Unsure

    * If a $500,000 home increased in market value by $100,000 over 5 years and then was sold, the seller would receive $75,000 of the value growth, but most of the affordability would be lost for future buyers.

12. ASK ALL: If you were to purchase a home in the next 3 years, how much money would you be able to contribute toward a down payment? Please include all sources including loans or gifts from family.
    a. Less than $50,000
    b. $50,000 to $100,000
    c. $100,000 to $150,000
    d. $150,000 to $200,000
    e. $200,000 to $250,000
    f. $250,000 to $300,000
    g. More than $300,000

13. What would be the source of funds for your down payment? Please select all that apply.
    a. Personal savings and investments
    b. Gifts from family
    c. Inheritance
    d. Loan from family
    e. Loan from a financial institution
    f. Other (please specify)

14. My current home is a:
    a. Apartment
    b. Secondary dwelling (e.g., basement suite, laneway house)
    c. Townhouse or rowhouse
    d. Duplex
    e. Single-detached house
    f. Other (please specify)

15. How would you describe your household?
    a. Single; I live by myself
    b. Roommates; I live with one or more roommates I am not related to
    c. Couple; I live with my partner without children
    d. Couple with children; I live with my partner and my child/children
    e. Single parent; I live with my child/children
    f. With parents or relatives; I live with my parents or relatives due to financial or other necessity
    g. Intergenerational family household; I live with my parents, siblings, or other direct family member(s) and we would like to stay together as a single household
    h. Other household type or combination of the above (please describe)

16. What is your household's approximate annual pre-tax income?
    a. Less than $20,000
    b. $20,000 to $39,999
    c. $40,000 to $59,999
    d. $60,000 to $79,999
    e. $80,000 to $99,999
    f. $100,000 to $124,999
    g. $125,000 to $149,999
    h. $150,000 to $174,999
    i. $174,999 to $200,000
    j. More than $200,000
    k. Prefer not to say

17. What neighbourhood do you currently live in? (include map)
    a. West Point Grey
    b. Dunbar-Southlands
    c. Kerrisdale
    d. Kitsilano
    e. Arbutus Ridge
    f. Marpole
    g. Oakridge
    h. Shaughnessy
    i. Fairview
    j. Mount Pleasant
    k. South Cambie
    l. Riley Park
    m. Sunset
    n. Victoria-Fraserview
    o. Killarney
    p. Renfrew-Collingwood
    q. Kensington Cedar Cottage
    r. Hastings-Sunrise
    s. Grandview-Woodland
    t. Strathcona
    u. Downtown Eastside
    v. Downtown
    w. West End

18. Do you identify as any of the following? Please select all that apply.
    a. First Nations
    b. Métis
    c. Inuit
    d. Indigenous / Aboriginal (not included above)
    e. Arab
    f. Black (North American, Caribbean, African, etc.)
    g. Chinese
    h. Filipino
    i. Japanese
    j. Korean
    k. Latin American / Hispanic
    l. Indian
    m. Pakistani
    n. Sri Lankan
    o. South Asian (not included above)
    p. Vietnamese
    q. Cambodian
    r. Malaysian
    s. Laotian
    t. Southeast Asian (not included above)
    u. Iranian
    v. Afghan
    w. West Asian (not included above)
    x. White (North America, European, etc.)
    y. Other, please describe:
    z. Don't know
    aa. Prefer not to answer
    bb. I don't identify with any of these categories

19. IF INTERESTED IN AFFORDABLE HOME OWNERSHIP IN Q.10 OR 11: Would you be interested in participating in further research about affordable home ownership in the future? The research would take the form of an online focus group and will include exploring the benefits and trade-offs of potential affordable ownership programs in greater detail. You would be compensated for you time.

20. IF INTERESTED: What is your first name and the best telephone number to reach you at?

    Name:
    Telephone Number:

    Thank you for participating in this research. Your opinions are of value to us and will contribute the City's policymaking!

APPENDIX C

Non-Owner Focus Group Mural

December 8, 2021

CITY OF VANCOUVER

Focus Group

City of Vancouver - Affordable Homeownership

CITY SPACES

Housing Preferences

Examples: outdoor space, transit access, proximity to school/work, ground-oriented, # of bedrooms, layout, proximity of parks, storage space

Detached House, Apartment/Condo, Townhouse, 'Missing Middle' Triplex/Fourplex /Multiplex, or others

	Do you think homeownership is realistic in Vancouver? Why or why not?	What is the primary reason you would like to own? (1-2 reasons)	What features would you prioritize when looking for a home? (Top 3 features)	Considering your desired features, which housing types would you be interested in purchasing to live in? Why those types?	Would you be interested in forms of housing other than your ideal choice(s) if it meant a shorter commute and greater affordability? Which ones and why?	
1	Not really. Not at a low or middle-income level certainly. Housing is generally much too expensive.	1) Predictability & Stability - it's nice to have your own space, where you're not living in fear of eviction or significant rent increases over time. 2) Control - with one's own home, one gets a certain amount of autonomy over the space.	1) Size (including layout and number of bedrooms) 2) Proximity to school (it's nice for school to be walking distance) 3) proximity to stores/restaurants/etc.	As long as the features line up, I kind of don't care? Although I'd prefer to avoid apartment/condos. And, realistically, the more people there are around, the more noise/possible conflicts might exist, so generally the less dense the better	The commute isn't a huge issue for me, but yes, I'd possibly accept anything if the affordability is there.	Different levels within a unit is nice. Separation is desirable
2	Realistic? I guess policy changes could make it that way but it hasn't been in the 40 years I've lived here: its a great place to live and Expo showed the world that and with unstable politics around the world this is a grea place to be.	I don't feel the need to own but I do feel the need to have secure housing and share some of the "luck" I've had over the years with other generations and people who deserve housing too. / To stop paying so much in rent for something that could be taken from me, basically security, or as much as one could have considering the various ways the earth is trying to tell us to get out of a rain forest.	Safe, quiet, lots of nature, walkable	I would willingly live in any of these spaces but would love to be able to feed birds... quiet and bright are important for me. i like walking in places with pretty/plants housing so I would encourage that for any community I live in.	Yep - any kind is fine with me - we adapt faster than we think but it needs storage and livability - I've seen some of these new condos and they are horrid, unlivable mouse traps and it feels unconsciouable (sp).	Climate change! Heat pumps, passive housing, efficiency features, earthquakes
3		Renting is fine if it can be stable and secure over time - less about ownership than the aspects surrounding it / Ownership might be less appealing if renting was less challenging/competitive	outdoor space, shared amenities, walkable livable community / Shared/centralized amenities between units within a development	Bigger is better! no not really but there is such a thing as too small. I would say a suite in a lowrise (3 story) building is good for me	2nd choice, is livable neighbourhood.	
4	Anything is possible, I just don't view it as likely unless someone or someplace decides to be randomly charitable.		Location, size and style.	I have no preference, it would all depend on how it looks from the inside and the outside	I only plan to work from home for the rest of my life so the inside of the place is more important to me now than how close it may be to my hypothetical office.	Potential tradeoff - affordability vs. design quality/style
5	Technically I could buy "a" place right now, but it would be extremely unsuitable for my family. We need a place that is above the lowest current rung of micro-suite for ownership.	Having a stable place to live. A mortgage is basically "rent control" in that there are no surprises in the monthly cost of living. Having been evicted once, I still dread it happening again. It destroys the community. / I would also like to build equity simply through monthly payments on principal. I am not interested in housing as a commodity, but knowing that the money I pay towards housing isn't going into the void would be stabilizing in retirement.	1. Size 2. Dense walkable neighbourhood 3. Near transit and bike routes	1. Townhouse/rowhouse 2. Multiplex 3. Lowrise Looking for moderate density with ease of community.	Probably? I would consider a highrise but I find them impersonal. Don't want detached SFH.	Ground-oriented approaches can help with meeting neighbours
6	At the current market prices, no. The condo units are way overvalued. / Condo fees add a lot to the mortgage price	Stability in retirement / Stable housing costs over time / Not being evicted and thrown out int eh market / Control over my personal living space beyond painting (and sometimes not even that) i.e. drapes, lighting, flooring	1) 100% walkable for day-to-day amenities 2) Large, south-facing outdoor space 3) Space to work from home, host out-of-town guests, and entertain	TOWNHOUSE!	Condo with large balcony	

Co-ops can provide a nice in between, without some of the burdens/risks of ownership, while still having sense of place/stability in housing

Housing Types

Single Detached — One Unit

Duplex — Two Attached Units

Triplex — Three Attached Units

Fourplex — Four Attached Units

Multiplex/small lot apartment — Multiple Attached Apartment Units

Townhouse — Multiple Attached Side-by-Side Multi-Storey Units

Apartments (condominium) — Apartment Units Low, mid, or high-rise

Trade Offs

What does "affordable homeownership" mean to you? What would an affordable homeownership program need to do for you to be able to buy?

- Affordable means living without concern for basic needs - having some choice but not forced to deny basics.
- Affordable homeownership means a stable monthly price for housing that is not constantly increasing with inflation
- I'm interested in affordable housing in neighbourhoods that are appealling to me, a non driver
- West End/DT, for convenience of having 24/7 services/stores, urbanity
- For me, it's basically entirely about cost.
- Not having the stress/anxiety of managing housing costs
- Security of tenure - being able to stay in desired neighbourhood
- Stage of life will impact program appropriateness for different households
- Affordable homeownership to me means paying 30% of income toward housing costs. For me to buy, the unit price and price per square foot would need to be lower than the current market prices

If you owned a unit through an affordable ownership program, and could only sell to another eligible household at a reduced profit in the future, would you still be interested? Why or why not?

- Yes, this is really about secure housing during a short period of time, not about creating wealth for my descendants who need to make their own life choices - that being said, I'd like to be able to save enough to pay for elderly care for at least 20 - 30 years (my ancestors all lived waaaay too long). I want to be able to not be a burden on my family.
- a society where we create affordable housing is a better society for everyone
- Yes. While I do like the idea of being able to pass on some $ to my child, I also think the notion of being able to profit enormously from housing is an economically disastrous and unsustainable notion in the long term.
- Yes. I like the idea of decoupling housing from the larger market. Otherwise it's just winning the lottery.
- desirable to have this kind of restriction
- YES! I am fully in favour of covenants on sales to allow others to gain a leg up
- you should be able to gain some profit - realize some of the gains - but also need to take housing away from this crazy appreciation over time (double digits/quarter)
- I don't like the idea of restrictions cause I'm a fan of going with the best offer, regardless of where it's coming form, that said it's purely hypothetical so maybe.
- restrictions mean you stay poor - if youre only selling to people in lower brackets
- I want others to have the same advantages as me

If buying a unit through an affordable homeownership program meant you could not sell at all for a period of time, how many years would you be willing to accept? Why that long?

- I'd be willing to stay in this same community for 20 plus years but circumstances could change and I might become (e.g.) disabled and have completely new needs. I assume that there would be some emergency contingency plans... what if I wanted to change units though? would there be that flexibility? Or upgrade to house an elderly person? I'm totally committed to community (I've lived here for 20+ years) but putting a commitment in writing for that long feels restrictive. I'd say minimum three years and max 10.
- what if people stay in housing longer than they should? people can feel trapped by incentives/restrictions. what about people that don't fit into the community? co-ops and stratas have rules; who makes these decisions, and at whose cost?
- I would definitely feel uncomfortable with anything longer than 15 or so years. Maybe when I was younger I'd have accepted a longer time, but circumstances can change so much. I would much rather be incentivized for owning longer, but be able to sell early if circumstances demand.
- really depends on what you would get. great house - willing to put up with a more strict arrangement; support for getting more of the appreciation over time.
- doesnt make sense to have a clause that says you can't rent if you can't sell your property. needs some flexibility.
- if i need to move, i will; wont necessarily take the % of profits into consideration
- Hard to say. Circumstances can change. I would prefer a "laddered" approach where the longer you stay, the higher the % of profits retained.
- conversation has solidified preference to be renting with security - benefits of owning & renting would be ideal
- I would like to have the flexibility to go at any time, I know for myself how quickly life circumstances can change. I would rather make less off it than be tied in
- I think the option should always be able to sell but maybe with a caveat that it needs to be good reason like marriage, divorce, death etc. And the penalty could be no profit gain for of say 5 yrs similar to a typical mortgage
- I would be fin y to work within them, again I wouldn't be looking to sell so it shouldn't be an issue with me.

If you were able to purchase a dwelling at a price affordable to you, but couldn't rent it out (i.e. you had to live in it yourself), would you still be interested? Why or why not?

- Yes - b/c it would be a secure place to live... not looking to make money but surviving while happy is great
- Yes I would be interested because I'm not looking to be a landlord, I would be looking for a place to keep my stuff and
- I am ambiguous. If my work status changed & need to live abroad for spell I'd like to be able to sublease. But I think there should a restriction of 2yrs
- cant rent it out for more than you're paying
- Yes, 100%. I want a home, not a commodity. I might want some possibility for short-term rental in case I had to leave for a while to take care of a family member or otherwise take a short sabbatical.
- Absolutely. I can imagine very few circumstances where I'd want to rent out my own home. Perhaps I'll be offered a job in Dubai? Somehow that seems unlikely. But beyond that, I want a home to live in, not profit from.
- Yes and no. again it goes to time of life,
- Maybe some flexibility for life events would be helpful
- people needing to move for work - might make us more likely to stay where we are for longer
- on the fence - good and bad with both - gets back to time of life; what about parents who might need help?

What is more important to you - owning in Vancouver or owning your preferred type of housing (e.g., townhouse, single-detached home, duplex) elsewhere? Why?

- Location is important to me: services (medical and social), familiarity, the arts, the small community I do have. Land is memory and stories and that would all be gone. I am willing to live in a densified neighbourhood/building if it meant keeping the greenery and walkability and community spaces and transportation (which we need a LOT more of, as Covid taught us). I'm curious to see how the Broadway skytrain changes our neighbourhood.
- as long as there is a sense of livability, that's home; connections and memories also important
- willing to live in another form of housing to keep the current sense of community (keep the trees!)
- Must be in Vancouver. I didn't move 5000km across Canada to live in Coquitlam. I want to be able to take advantage of all teh cultural & culinary opportunites the City has to offer
- such a distinct place - trees, amenities, design, community (always run into people I know) in Downtown/West End
- Owning in Vancouver specifically. I have a community here and I want to stay.
- I'm not hugely attached to Vancouver per se, although I definitely prefer urban living over suburban or rural. Also, my partner and child are attached to the city and so the housing elsewhere would have to be awfully compelling to get us to move.
- Owning in Vancouver. Family to look after, 50 year friendships to tend to, medical services, I like the density overall, generally
- Where, be that city or neighbourhood is more important than the type of housing construction
- current community is so important - takes so long to build this
- Vancouver is important to me, more so a few years ago when there wasn't e-coli at the beach every summer and the air was breathable cause there wasn't forest fires in perpetuity
- nostalgia for Vancouver before fires - would like it to go back to what it was - but maybe it makes sense to go somewhere else where we can get more of what we want when it comes to housing (because what are we paying for now?)
- people or place. it's people for me. where the people are.

Any other thoughts or comments?