

**Refers to Report RTS 012976
Council meeting of June 22, 2020**

MEMORANDUM

March 5, 2021

TO: Mayor and Council

CC: Paul Mochrie, Acting City Manager
Karen Levitt, Deputy City Manager
Lynda Graves, Administration Services Manager, City Manager's Office
Maria Pontikis, Director of Civic Engagement and Communications
Rosemary Hagiwara, Acting City Clerk
Anita Zaenker, Chief of Staff, Mayor's Office
Neil Monckton, Chief of Staff, Mayor's Office
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Sandra Singh, General Manager, Arts, Culture, and Community Services
Patrice Impey, General Manager, Finance, Risk, and Supply Chain Management

FROM: Gil Kelley
General Manager, Planning, Urban Design and Sustainability

SUBJECT: Response to Council's "Defining Social Housing Consistently and Transparently in the City of Vancouver" Motion

On June 2, 2020, Council passed the motion "Defining Social Housing Consistently and Transparently in the City of Vancouver," which outlines Council concerns regarding the City's definition of social housing. Similar Council concerns have also been raised on other occasions related to individual development applications.

This memo provides an overview of the role and intent of the City's current Social Housing definition, early feedback from the non-profit sector on this topic, anticipated impacts of amending the City's definition of social housing on affordable housing delivery, and potential next steps to address Council concerns.

Background and Context on the City of Vancouver's Definition of Social Housing

The City of Vancouver's approach to Bylaw definitions of Social or Affordable Housing began in various Official Development Plans developed in the 1980's and 1990's as part of the redevelopment of industrial areas surrounding the Downtown core (e.g. False Creek North ODP, Coal Harbour ODP, South East False Creek ODP, etc.). Initially, these definitions largely focused on households in "Core Housing Need", a similar measure to what we now call the Housing Income Limits (HILs). These definitions based on Core Need worked while senior government housing programs remained stable; however, as programs changed over time, a more flexible definition of social housing was adopted, similar to the definition the City uses today in its Zoning and Development Bylaw and related regulations.

The evolution of the definitions of social or non-market housing is demonstrated in the history of amendments to the False Creek North Official Development Plan. Council adopted the FCN ODP in

1990, which required that 20% of the housing be developed as “Non-Market Housing”, prioritizing households in “Core Housing Need”. In 1993, the last of the Federal housing programs of the post-war era was cancelled, and the City responded by amending the FCN ODP to provide Council with the flexibility to accept alternatives to Core Need Housing, including cash-in-lieu and rental housing operated by a non-profit society. In 2002, the Provincial Government cancelled the housing programs of the day, and the City further amended the FCN ODP to change the term “Non-Market Housing” to “Affordable Housing” to enable projects to proceed that included some market-rate rental housing.

The City’s current definition of “Social Housing” was first used in the Interim Development Cost Levy Bylaw approved in 1998. This Interim DCL Bylaw defined Social Housing as,

...housing which is built on land owned by the Federal, Provincial, or City government, cooperative housing group or non-profit society and which is in receipt of government shelter subsidy where at least 30% of the units are occupied by core need residents.

In 2003, when the interim status was removed and the DCL Bylaw was permanently adopted, the definition of Social Housing was amended to reflect changes in the funding environment (cancellation of programs) and consultation results. In order to enable non-profit and co-op housing societies to develop housing even in the absence of government programs, the term “which is in receipt of government shelter subsidy” was struck from the definition. Therefore, by 2003, the City’s definition of Social Housing was largely the same as it is today.

The City’s Current Definition of Social Housing

The City’s current definition of “social housing” requires that 100% of units in the building must be owned by a non-profit or government agency, with at least 30% of units affordable to incomes at or below Housing Income Limits (HILs).¹ The HILs replaced the concept of Core Need Income Thresholds since the original definition was adopted, but is essentially the same income measure. Following the adoption of the DTES Plan in 2014, an additional section was added in the definition, stating that for Social Housing within the DTES Plan boundaries, 30% of the units must be affordable to households on social assistance (e.g. Income Assistance, GIS/OAS, etc.). This definition in the DTES reflects the primary housing objectives of the Local Area Plan, such as replacement of SRO rooms with self-contained social housing.

The intent of the City’s current definition is to set a *minimum* threshold that is achievable for most new non-market housing development. Often, affordability is greater than the City’s minimum threshold prior to building opening, as senior government funding is generally committed later in the development process after the municipality has approved the project. While deeper affordability is always targeted and often achieved, the definition is structured to ensure maximum flexibility to be resilient to changing conditions over time, and to support a variety of non-profit housing models that rely on different levels of senior government funding.

The current Provincial and Federal governments have come to the table with support for new social housing; however, previous governments have not always had similar commitments. Because the City wants to ensure continuation of new non-profit housing delivery regardless of changes in senior levels of government, a definition of social housing that provides flexibility is key.

Definitions of Social Housing in other Jurisdictions

¹ The City of Vancouver’s Zoning & Development Bylaw definition of “social housing” is provided in full in Table 2 of Appendix A.

There is general agreement across Canada that housing is considered to be affordable if a household spends no more than 30% of its income on shelter. However, definitions of social, affordable, and non-market housing in Canada vary across government agencies, as each definition is used in a different context and serves a different purpose. Appendix A provides examples of definitions from government agencies and Metro Vancouver municipalities.

Senior government agencies, primarily CMHC and BC Housing, use broad definitions of “Social” or “Community-based” housing that do not typically specify precise levels of affordability. For example, BC Housing’s definition of Social Housing is, “a housing development that the government or a non-profit housing partner owns and operates.” Levels of affordability are not specified in the definition, but rather through specific funding programs where the structure and amount of funding is intended to achieve the targeted affordability level. For example, BC Housing’s Community Housing Fund (CHF) targets 20% of units to deep subsidy (e.g. Income Assistance), 50% to households with incomes below the HILs, and 30% of units at the Low-End-of-Market. The program then provides significant capital, and if needed operational subsidies, to achieve this level of affordability.

At the local level, defining Social Housing in an Official Community Plan, Zoning Bylaw or other legal document can have significant implications, because these Bylaws govern what can be built in a municipality and are difficult to change. For this reason, most local governments adopt relatively flexible definitions related to affordability. In fact, among larger municipalities in Metro Vancouver, the City of Vancouver’s current definition of Social Housing is unusual in including specific affordability requirements. For example, the City of Coquitlam defines Non-Market Housing as, “...self-contained, independent living dwelling units targeted to low and moderate income households such as housing co-operatives and seniors and family non profit projects.” This definition does not include a specific affordability requirement, and is representative of how other Metro Vancouver municipalities typically define Social or Affordable Housing, i.e. as rental housing that is operated by government or non-profit agencies and secured with a municipal Housing Agreement. These municipalities often outline specific affordability targets in related Strategies, Plans and Needs Assessments, as does the City of Vancouver. However, unlike senior governments, municipalities lack the financial resources to ensure these targets can be achieved, and so tend not to enshrine them in Bylaws.

Council Direction to Explore a Narrower Definition of Social Housing: Summary of Stakeholder Discussions

Council has recently expressed interest in amending the City’s definition of social housing contained in the Zoning and Development By-law to require deeper levels of affordability in new social housing. Specifically, Council has asked staff to explore a narrower definition in which all the units in the building would be affordable to households with income levels that are not sufficient to find acceptable housing in the private market. A common measure for this income level is BC Housing’s Housing Income Limits (HILs). “Affordable” in this context would mean that households spend no more than 30% of gross income on housing costs.²

As requested by Council, staff have consulted with stakeholders in the non-market housing sector and senior government on the implications of introducing a more narrow definition of Social Housing. Engagement to date has included discussions with senior government agencies (BC Housing and CMHC), as well as representative bodies for the community housing sector (BC Non-Profit Housing Association and Co-op Housing Federation of BC). Through this engagement, as well as staff scoping

² BC Housing’s Housing Income Limits (HILs) set the reflect the minimum income required to afford appropriate accommodation in the private market. The City’s definition of social housing requires at least 30% of all units in the building to be set at rates affordable to the HILs, but not all units.

and analysis, several issues associated with amending the City's definition of social housing have been identified.

1. Potential reduction in delivery of new non-market housing

Staff heard from the community housing sector that a narrower definition of social housing could result in a reduction of development applications for new non-market housing that could not meet the narrower definition at the outset of the project, even if the development might qualify for additional funding to deepen affordability later on. In many cases, government funding comes later in the development process, conditional on a development having zoning and development permits approved by the municipal government.

Staff also heard concern from the sector about the resilience of a narrower definition of social housing to adapt to changing senior government priorities. Partners noted that new non-market housing might be able to proceed under a narrower definition of social housing when significant senior government funding is available to fund deeper levels of affordability. However, a narrower definition may not be flexible during periods of lower levels of senior government funding. This could result in a high dependency on senior government funding in order to advance affordable housing goals and limited options for the City to continue delivering non-market housing if senior government priorities and initiatives change.

2. Challenges aligning with senior government funding programs

Another important consideration for the City's definition of social housing is alignment with senior government funding programs. Currently, most senior government housing funding is intended for mixed-income affordable housing developments. This is true even for housing programs aimed at providing deeper affordability. For example, the current affordability mix for BC Housing's Community Housing Fund specifies that within each building 20% of units are to rent at deep subsidy rates, 50% rent geared to income (HILs) rates, and 30% at moderate income or low-end of market rates. The affordability mix proposed by BC Housing fits well within the bounds of the City's existing definition of social housing.

Amending the City's regulations to include a narrower definition of social housing could also create inconsistencies between the City's regulations and various senior government funding programs. Misalignments of this nature would likely add further challenges and complications for non-market housing delivery.

3. Mixed-income non-market developments increasingly becoming the norm`

The community housing sector stressed that mixed-income projects including a share of low-end of market units are increasingly the norm for new non-market developments. Research has demonstrated that mixed-income developments show positive outcomes for social development outcomes for all children in communities where the developments are located, as well as greater access to community services and broader community acceptance.

Mixed-income models are also increasingly important for supporting the viability of new housing development. While the City and community housing sector share the goal of delivering the deepest possible affordability across the most units, creating a new non-market building requires significant capital grant and low-cost financing to build, and ongoing operating subsidies from senior governments to fund deeply affordable units; otherwise, the project will have to rely on cross-subsidization from units renting at the low-end of market. As mentioned previously, most senior government funding models target a mix of incomes, including a share of low-end of

market units. The community housing sector stressed that while new housing is costly to build, the non-profit operating model ensures that new housing will become more affordable over time as initial costs are recovered.

4. Implications to Housing Vancouver Targets

If Council wished to maintain the current level of non-market housing approvals while requiring a deeper level of affordability in each development, this would require a significant increase in financial contribution to fund capital and operating costs for new non-market housing. In 2018, it was estimated that approximately \$1.6 billion (2018 dollars) of cash/equity contributions was needed to achieve the City's Housing Vancouver targets for social and supportive housing at the income mix specified in the Strategy.³ This amount does not include other contributions like City and partner land, inclusionary housing, project financing, and City cash grants. Without a significant increase in senior government funding commitment, maintaining the current level of non-market housing approvals would not be feasible.

A key message from partners in government and the community housing sector is that deepening affordability requires two key ingredients – partner funding, and time. Increased funding commitments from senior government partners are key to delivering viable projects that achieve deeper affordability on day one. Over time these projects become even more affordable, and are crucial investments in affordability future residents. In the context of the extremely high cost of development in Vancouver, the current definition of social housing is intended to support non-profit projects today and in the future, while being resilient and adaptable to changing senior government funding programs.

Additional Opportunities to Address Affordability in New Non-Market Housing

There are other opportunities to address affordability in new non-market housing that are supported by the non-profit sector.

- New programs and affordability targets to deliver non-market housing through the Vancouver Plan

As part of the Vancouver Plan, one of the key focus areas will be delivering more affordable housing across the city. Through the planning process, there will be opportunities to consider new policy directions for more deeply affordable non-profit housing delivery. Staff will be revisiting the Housing Vancouver targets to better align with local incomes, and exploring new policy options to deliver deeper levels of affordability and prioritize those in the greatest housing need, in partnership with the community housing sector and senior government. The updated housing estimates and targets in the Vancouver Plan will be developed comprehensively as part of the overall growth management framework that looks at estimated growth, housing need and job estimates. This work is occurring in coordination with the update to the Regional Growth Strategy.

- Review of City's framework for turnkey social housing lease terms and operating agreements⁴

Under the City's inclusionary housing programs, turnkey social housing is built by private developers and ownership is transferred to the City as an in-kind Community Amenity Contribution (CAC). The

³ 10-Year Affordable Housing Delivery and Financial Strategy, City of Vancouver (2018). Source: <https://vancouver.ca/files/cov/affordable-housing-delivery-and-financial-strategy.pdf>

⁴ A separate memo specifically discussing affordability in turnkey social housing units is also being prepared for Council.

City has the ability to set the levels of affordability through the lease rates and operating agreements for these buildings.

The turnkey social housing delivered thus far through the City's inclusionary housing programs has greatly exceeded the minimum affordability requirements under the City's definition of social housing. From 2012 - 2020, the rent breakdown for units with starting rents confirmed is as follows:

Affordability level	Share of new units in turnkey social housing (2012-2020)
Shelter rate (\$375/month)	28%
Rent geared to income (BC Housing HILs)	37%
Low-end of market	35%

In establishing terms for leases and operating agreements, the City can affect the affordability of units to a certain degree. The City's strategy for lease terms and operating agreements of turnkey social housing assets is being reviewed as part of the Vancouver Affordable Housing Endowment Fund (VAHEF) portfolio strategies. More information and options for a framework on inclusionary housing lease terms will be coming to Council for decision in the coming months.

- Partnerships and senior government investments

A key method for the City to achieve deeper affordability in new non-market housing is through partnerships with senior levels of government. The City can help non-profit developments with accessing senior government funding by aligning our development approvals process with the goal of delivering affordable housing. We have heard from partners in the community housing sector that application processing can add time, cost, and uncertainty for non-profits. Staff are actively exploring zoning amendments in select residential apartment zoning districts to enable a streamlined process for non-profit housing to be built without a rezoning. The City also recently amended the CHIP grant process to better support non-profit partners looking to leverage City grant funds to secure senior government funding.

- Strategic deployment of City land

Another key tool for the City is the contribution of land for non-market housing development in partnership with the community housing sector. When paired with senior government funding contributions, City land assets can help enable new housing stock that is deeply affordable. Moving forward, VAHEF will play a key role in managing the City's land assets that can be used to advance affordable housing.

Transparency in reporting on non-market housing

Staff are investigating ways to enhance public transparency around levels of affordability being delivered in new non-market housing. As part of the Vancouver Plan, staff will be revisiting the City's housing targets set in the *Housing Vancouver Strategy* and identifying opportunities to enhance reporting on the City's housing approvals. Through this work, staff will be looking for ways to increase transparency in reporting, including on affordability of non-market housing.

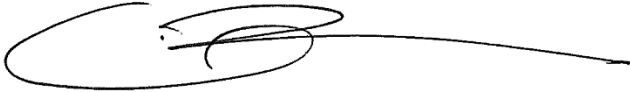
Next steps

Staff will continue to seek ways to achieve more deeply affordable non-market housing. This includes continued collaboration and partnerships with senior governments and the community housing sector, as

well as work through the Vancouver Plan process to explore new housing delivery opportunities focused on serving local incomes and prioritize those with the greatest housing need.

If you have any questions, please contact me or Dan Garrison, Assistant Director for Housing Policy and Regulation, at 604-673-8435 or dan.garrison@vancouver.ca.

Sincerely,

A handwritten signature in black ink, consisting of a large, loopy initial 'G' followed by a long, horizontal stroke that tapers to the right.

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Appendix A: Various Definitions of Social, Affordable, and Community Housing

Table 1. Definitions Used in High-Level Strategies and Resources				
Organization	Document	Terminology	Definition	Source
BC Housing	Online glossary	Social housing	Social housing: A housing development that the government or a non-profit housing partner owns and operates.	https://www.bchousing.org/glossary#S
CMHC	National Housing Strategy	Community housing	The term “community housing” is an umbrella term that typically refers to either housing that is owned and operated by non-profit housing societies and housing co-operatives, or housing owned by provincial, territorial or municipal governments. Investments in federally delivered programs will prioritize housing that is owned and operated by not-for-profits and co-operative housing organizations. The intent is that any new housing built in the future by these groups will be a new generation of housing that is guided by the common principles outlined in the National Housing Strategy. The Vision is to ensure support for a modern, efficient and effective system that encourages social inclusion and is economically and socially sustainable.	https://www.cmhc-schl.gc.ca/en/nhs/guidepage-strategy/glossary
CMHC and BC Housing Management Commission	Bilateral Agreement - 2017 National Housing Strategy	Community housing	“Community Housing” (also see Social Housing below) – means community based housing that is owned and operated by non-profit housing corporations and housing co-operatives or housing owned directly or indirectly by provincial, territorial or municipal governments or district social services administration boards and includes Social Housing;	https://www.bchousing.org/about/federal-agreements
City of Vancouver	Housing Vancouver Strategy	Affordable housing	Affordability is a measure of a household’s ability to pay for housing – it relates the price or cost of housing to household income. Housing is considered to be affordable when it comprises 30 per cent or less of a household’s total income before taxes. Households paying over 30 per cent of their total income on housing costs are considered to be ‘housing cost burdened.’ This is particularly relevant for low- and moderate income households whose household expenses take a higher overall share of their monthly budgets, whereas higher-income households may be able to absorb higher housing costs. In order to better understand housing cost burdens on Vancouver’s households, we looked at the population broken down by income bands.	https://council.vancouver.ca/20171128/documents/rr1appendixa.pdf

Table 2. Definitions Used in Regulations and Policies

Organization	Document	Terminology	Definition	Source
City of Vancouver	Zoning & Development Bylaw	Social housing	<p>Rental housing:</p> <p>(a) in which at least 30% of the dwelling units are occupied by households with incomes below housing income limits, as set out in the current “Housing Income Limits” table published by the British Columbia Housing Management Commission, or equivalent publication;</p> <p>(b) which is owned by a non-profit corporation, by a non-profit co-operative association, or by or on behalf of the City, the Province of British Columbia, or Canada; and</p> <p>(c) in respect of which the registered owner or ground lessee of the freehold or leasehold title to the land on which the housing is situate has granted to the City a section 219 covenant, housing agreement, or other security for the housing commitments required by the City, registered against the freehold or leasehold title, with such priority of registration as the City may require;</p> <p>except that in the HA-2 District; in the area of the FC-1 District located north of National Avenue; in the area of the M-1, I-2, RT-3 and RM-3A Districts located north of Venables Street, Malkin Avenue and Prior Street, south of Hastings Street, east of Gore Avenue and west of Clark Drive; in the Downtown Eastside Oppenheimer District; and in the area of the Downtown District denoted as C2 on Map 1 of the Downtown Official Development Plan; social housing means rental housing:</p> <p>(d) in which at least one third of the dwelling units are occupied by persons eligible for either Income Assistance or a combination of basic Old Age Security pension and Guaranteed Income Supplement and are rented at rates no higher than the shelter component of Income Assistance;</p> <p>(e) which is owned by a non-profit corporation, by a non-profit co-operative association, or by or on behalf of the City, the Province of British Columbia, or Canada; and</p> <p>(f) in respect of which the registered owner or ground lessee of the freehold or leasehold title to the land on which the housing is situate has granted to the City a section 219 covenant, housing agreement, or other security for the</p>	<p>https://bylaws.vancouver.ca/zoning/zoning-by-law-section-2.pdf</p>

			housing commitments required by the City, registered against the freehold or leasehold title, with such priority of registration as the City may require.	
City of Richmond	Zoning Bylaw	Affordable housing unit	Affordable housing unit means a dwelling unit that is subject to a housing agreement.	https://www.richmond.ca/sites/default/files/assets/interpretation24222.pdf
City of Burnaby	Zoning Bylaw	Affordable and special needs housing	For the purpose of subsection (1), the following are eligible for consideration as affordable and special needs housing in an application for a density bonus: (a) units developed under senior government non-profit housing programs; (b) price controlled limited-equity market units; (c) units controlled or managed or owned by non-profit housing groups providing affordable housing; (d) guaranteed rental units; (e) housing for people with special needs such as those with physical or mental disabilities or victims of violence.	https://www.burnaby.ca/Assets/Zoning+Bylaw/Section+6+Supplementary+Regulations.pdf
City of Coquitlam	Zoning Bylaw	Non market housing	NON MARKET HOUSING means self-contained, independent living dwelling units targeted to low and moderate income households such as housing co-operatives and seniors and family non profit projects.	https://www.coquitlam.ca/DocumentCenter/View/1166/Parts-1-and-2-Short-Title-Interpretation-PDF