SUMMARY REPORT

Community Land Trusts, Land Leases & Shared-Equity Affordable Homeownership

Picture: OPAL CLT Wild Rose Meadow Neighbourhood

The BC Rural Centre

Helping Rural Communities Succeed

June 2018

This project is made possible with partner funding from the Real Estate Foundation of British Columbia

real estate foundation BRITISH COLUMBIA

NOTE TO READER

This Summary Report was written by Gordon Borgstrom, Executive Director of SIBAC's BC Rural Centre. The Summary Report is based upon research completed by Gordon as well as consultants retained by the BC Rural Centre to work on the project.

This report is one of several documents created as part of the Community Land Trusts & Rural Development Project created and managed by SIBAC/BC Rural Centre. The other reports and documents created as part of this project are available on the BC Rural Centre website at https://www.bcruralcentre.org/focus/housing/

The BC Rural Centre gratefully acknowledges the financial support of the Real Estate Foundation of BC as a funding partner in this project.

The BC Rural Centre www.bcruralcentre.org is a highly interactive communications platform created to assemble, develop and share successful rural development initiatives and tools. The BC Rural Centre was created by the Southern Interior Beetle Action Coalition (SIBAC). SIBAC's founding members were the nine Regional Districts and six Tribal Councils in the southern interior; along with the CFDC of Central Interior First Nations.

The Real Estate Foundation is a philanthropic organization that helps advance sustainable land use in British Columbia. They provide grants to non-profit organizations working to improve BC communities through responsible and informed land use, conservation and real estate practices. www.refbc.com

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INTRODUCTION

> *"In conclusion, middle-income housing affordability in Canada has become a profound social and economic crisis worthy of serious and concentrated public policy attention."*
>
> *Canada's Middle-income Housing Affordability Crisis*, Frontier Centre for Public Policy, June 2016, Page 28.

The current focus for most government and non-profit housing organizations is on providing subsidized rental housing for the homeless and low income households. While this prioritization of the most-at-need is certainly understandable, several housing needs studies have also identified that many moderate income households ($42,000 to $60,000/year) are priced out of homeownership in their communities.

A recent report of the Frontier Centre for Public Policy noted that house prices across Canada have increased at an average rate of 2.1 times that of household incomes between 2000 and 2015[1]. A similar trend is seen in many southern interior BC communities.

Many communities in the United States have faced very similar trends and challenges with regard to affordable homeownership. As a result, over the past 25 years over 200 Community Land & Housing Trust (CLTs) organizations have been established across the U.S. in large metropolitan regions, mid-sized cities and smaller rural communities. Based on the documented success in the U.S., there are now a significant number of CLTs being developed in the United Kingdom.

Recognizing that affordable homeownership is an increasing challenge in many southern interior communities, the BC Rural Centre designed and managed a research project to examine the Community Land Trust and shared-equity homeownership model and its potential application in BC. In funding partnership with the Real Estate Foundation of BC, the research project had four major components:

1.) Research to further quantify housing affordability issues and challenges in the southern interior of BC;
2.) Research to examine successful rural Community Land Trusts & housing organizations using a shared-equity homeownership model;
3.) Research on the financial and legal viability of implementing a CLT, land lease and shared-equity homeownership model in BC; and
4.) Extension activities to share the results of the research with non-profit housing organizations in the southern interior.

This Summary Report summarizes the major findings and conclusions from the project. The additional background research reports and supporting materials developed as part of the project can be accessed on the BC Rural Centre website at https://www.bcruralcentre.org/focus/housing/

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[1] *Canada's Middle-Income Housing Affordability Crisis*, Frontier Centre for Public Policy, 2016.

UNDERSTANDING THE NEED FOR AFFORDABLE HOMEOWNERSHIP IN THE SOUTHERN INTERIOR

Although most media attention has focused on the housing affordability problems of the lower mainland, several communities in the southern interior are also experiencing significant issues with respect to housing affordability. As has been noted by some housing needs studies, it is becoming increasingly difficult for some moderate income households ($42,000 to $60,000) to purchase homes in many southern interior communities.

> *"Prospective first-time buyers with $60,000 or less annual income have very little opportunity to purchase in Oliver. During the scoping period, there was widespread sentiment that efforts should be taken to facilitate homeownership for this group, making it one of the top priorities for the housing strategy."*
>
> Oliver Affordable Housing Strategy, CitySpaces Consulting, November 2009.

This affordability challenge is primarily the result of housing prices increasing much more rapidly over the past twenty years than growth in household income. For example, between 1985 and 2010 various communities in the Okanagan valley saw the average resale price of a single detached home increase from between 510% to 711%. During this same time period, average household income only increased by 132% to 296% in these same communities[2]. As a result, many moderate income households can no longer afford to purchase a home in their community.

Table 1 shows the average resale price in 2016 for a single family home in several communities in the southern interior; the household income that would be required to qualify for a 90% mortgage for that average house; and the 2015 median total family income in those communities. As shown in Table 1, if they only had a 10% down payment, most households with an income of $60,000 or less would not be able to buy a single family home in their community. The problem is particularly acute for single income and single parent households that typically have significantly lower annual income levels.

[2] For more details please see *Statistical Background Report – Okanagan Similkameen Regional District*, SIBAC, n.d. available at https://www.bcruralcentre.org/wp-content/uploads/2016/10/Statistical-Background-Report-Okanagan-Similkameen-Regional-District.pdf

Table 1: Household Income Required to Purchase an Average Single Detached Home[3]

Community	**Average Resale Price (Single Detached)**	**Mortgage Required (with 10% down payment)**	**Household Income Required**	***Median Family Total Income (2015)***[4]
Cranbrook	$260,000	$234,000	$64,668	*$58,370*
Fernie	$470,000	$423,000	$100,241	*$73,140*
Invermere	$325,000	$292,500	$75,679	*$63,070*
Castlegar	$285,000	$256,500	$68,903	*$57,010*
Kaslo	$305,000	$274,500	$72,291	*$56,714*
Nakusp	$270,000	$243,000	$66,362	*$48,960*
Nelson	$390,000	$351,000	$86,689	*$45,970*
Grand Forks	$250,000	$225,000	$62,974	*$44,220*
Trail	$200,000	$180,000	$54,504	*$50,840*
Osoyoos	$330,000	$297,000	$76,526	*$46,430*
Penticton	$390,000	$351,000	$86,869	*$44,450*
Princeton	$225,000	$202,500	$58,739	*$47,810*
Kelowna	$430,000	$387,000	$93,465	*$54,140*
Armstrong	$350,000	$315,000	$79,913	*$52,870*
Vernon	$360,000	$324,000	$81,607	*$48,430*
Golden	$330,000	$297,000	$76,526	*$60,080*
Revelstoke	$380,000	$342,000	$84,995	*$59,110*
Salmon Arm	$320,000	$288,000	$74,832	*$51,540*
Kamloops	$350,000	$315,000	$79,913	*$59,770*
Merritt	$250,000	$225,000	$62,974	*$47,170*
Lillooet	$250,000	$225,000	$62,974	*$50,432*

[3] From *Shared Equity Homeownership Technical Background Report*, CitySpaces Consulting, June 21, 2018
[4] Statistics Canada, Income Statistics Division, Custom Tabulation for BC Rural Centre, April 2018.

WHY AN AFFORDABLE HOMEOWNERSHIP MODEL?

> *“**RECOMMENDATION: Expand shared equity homeownership**. The Affordable Housing Plan does not recommend that government create any programs that further increase the cost of ownership housing or allow for more individual borrowing. Instead we recommend creating a bridge to home ownership by expanding shared or partial home ownership in BC. By producing new housing units for purchase that remain in the Community Housing Sector through non-profits, municipalities, and land trusts we can create “speculation free zones” that generate housing for purchase that remains affordable over the long term, and returns some of the increases in land value over time back into the Community Housing Sector so that it can be leveraged for additional development opportunities.”*
>
> *An Affordable Housing Plan for BC*, Page 23; BC Rental Housing Coalition, no date.

Many communities – such as Whistler, BC and over 200 Community Land & Housing Trust organizations in the U.S – understand that more healthy, stable and diverse communities are created when moderate income workers can afford to purchase a home in the community they work in. Some communities recognize that without some form of affordable homeownership options it will be difficult to attract and maintain the workers they need to provide services to the rest of the community. They also recognize that many in their community do not want to rent for the rest of their lives and aspire to homeownership and the opportunity to build some personal financial equity in their home. As a result, these organizations have developed and manage affordable homeownership programs for their communities.

UNDERSTANDING THE MAJOR COMPONENTS OF CLTS, LAND LEASES & SHARED-EQUITY HOMEOWNERSHIP MODELS

To fully understand the material that follows in the remainder of this report, it is necessary to provide an overview of the major elements and components typically used in a Community Land Trust/land lease and shared-equity homeownership model.

Community Land Trusts

In the United States – and increasingly in the United Kingdom – non-profit Community Land Trusts (CLTs) are used to assemble, own and manage lands in perpetuity for the public good. There are now over 200 Community Land Trusts in the United States that also provide affordable housing – many that use a shared-equity homeownership model. In the case of a shared-equity homeownership model, the CLT keeps permanent ownership of the land and then develops and sells only the housing units on those lands. The housing units are sold using legal restricted resale agreements (see below) and the housing purchaser has a long-term land lease for the underlying land with the CLT. A CLT usually receives lands donated by governments or individuals - or purchases lands with grants and donations. By removing the value of the land from the housing unit purchase price, the house price is significantly reduced thus making it more affordable for lower income households. Through maintaining land ownership and a restricted resale agreement, the housing CLT is able to ensure that homes remain permanently affordable.

Land Leases

Land leases usually have long-terms (25 to 99 years) often with renewal and extension options. Typically, U.S. housing CLTs will charge a monthly land lease fee to home purchasers to help cover a portion of the CLT administration costs. Although the concept may seem foreign to some, thousands of Canadians already own homes – with bank mortgages – for houses that are on lands that are leased from the federal, provincial or First Nations governments.

Restricted Resale Agreements

Restricted resale agreements are legal agreements usually registered against a property or a mortgage – that define how a property can be resold. In the context of affordable housing, most restricted resale agreements will have conditions on:

- The process that must be followed in reselling a home (often the non-profit housing organization will manage or approve the resale process);
- Who can purchase the home (it may have to be sold to a person on the non-profit housing organization's waitlist, and/or the non-profit may have first right of refusal to repurchase the home);
- A formula that determines the maximum resale price of the housing unit; and
- A formula on how any home price appreciation between the original purchase and the subsequent resale will be shared between the seller and the non-profit housing organization.

Shared-Equity Homeownership

The term shared-equity in the context of affordable homeownership programs is meant to acknowledge that both the home purchaser and the non-profit housing organization have "shared-equity" in the housing unit. The non-profit housing organization's equity comes from the financial resources it obtained and contributed to acquire the land, prepare the land for development and construction of the housing unit. The purchaser's equity comes from their down payment and the mortgage they use to purchase the home. As noted above, the restricted resale agreement will typically dictate how any increases in the value of a home will be shared between the non-profit housing organization and the home owner in a future sale.

SHARED-EQUITY AFFORDABLE HOMEOWNERSHIP PROGRAMS: SUCCESS STORIES

There are a significant number of housing organizations across Canada and the United States that have some form of shared-equity homeownership using a variety of different approaches. The following provides an overview description of four of the oldest and most successful shared-equity homeownership programs in the United States and BC. For a more detailed description of the history and operations of the three successful CLTs on Washington State's San Juan Islands see the companion research report - *Creating Community: Providing Affordable Housing on the San Juan Islands*.[5]

CHAMPLAIN HOUSING TRUST

The Champlain Housing Trust is one of the oldest – and now the largest – Community Land and Housing Trust in the United States. Champlain Housing Trust (CHT) is based out of Burlington Vermont and serves a three-county region in the state of Vermont with a population of approximately 200,000. CHT was created in 2006 by a merger between Burlington Community Land Trust and Lake Champlain Housing Development Corporation - both of which were created by the City of Burlington in 1984.

Often recognized as one of the most successful Community Land & Housing Trusts in the United States, Champlain has assembled and built over 2,850 affordable homes of a variety of housing types and rental and ownership structures. This includes over 600 homes under a shared-equity homeownership model. Champlain also offers homebuyer education and financial management training to its clients.

Like most U.S. Community Land & Housing Trusts, Champlain uses a combination of land lease and resale restrictions for its shared-equity homes. Champlain manages all aspects of the original sale and resale of Champlain housing. Upon resale of a Champlain shared-equity home, the home seller is allowed to retain 100% of their mortgage principle repayment and 100% of any capital improvements they have made to the housing unit. If there is any price appreciation in the housing unit between purchase and resale - Champlain retains 75% of the price appreciation and the seller receives 25%. This allows Champlain to both retain the public subsidies within its program and ensure affordability for future homebuyers.

[5] *Creating Community: Providing Affordable Housing on the San Juan Islands*, BC Rural Centre/SIBAC, n.d. available at https://www.bcruralcentre.org/focus/housing/

Champlain has been around long enough that three independent evaluations have been completed on the effectiveness of its operations on housing affordability. One evaluation completed in 2009 confirmed the following principal findings:

- *"**Expanding Homeownership**. Access to homeownership for persons excluded from the (open) market was expanded.*
- ***Creating Individual Wealth.** When reselling their homes, most CHT homeowners walked away with more wealth than they had possessed when first buying the home. The average CHT homeowner, reselling after 5.5 years, recouped their original down payment of $2,300 and received a net gain in equity of nearly $12,000.*
- ***Enabling residential mobility**. Households who left the CHT did so for similar reasons and with similar success as homeowners buying on the open market. One hundred and eighteen of CHT's homeowners bought unrestricted market-rate homes after reselling their CHT home; ten bought another resale-restricted CHT home; forty-two became tenants, sometimes renting from CHT; and five died. Among CHT homeowners whose subsequent housing situation was known, 67.4% of them bought market-rate homes within six months of leaving CHT.*
- ***Preserving Affordability**. Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling interest rates was removed.*
- ***Retaining community wealth**. Public subsidies invested in CHT's houses and condominiums remained in the homes at resale, underwriting their affordability for subsequent generations of lower-income homebuyers. Had these subsidies not been retained in the homes, allowing their owners to pocket both the public's investment and all the capital gains when reselling, the size of the public's investment needed to serve the same number of households at the same level of income as CHT had served would have been five times greater.*
- ***Enhancing residential stability**. Lands and homes placed under the stewardship of CHT were seldom removed from its portfolio. Foreclosures remained a rare event, even as the mortgage meltdown in the rest of the United States approached the point of crisis. Over its twenty-five year history, CHT has had only nine foreclosures. No lands or homes have ever been lost from CHT's portfolio because of foreclosure."*[6]

By any measure, Champlain Housing Trust (CHT) is seen as a major success in creating and maintaining affordable homeownership opportunities. Of the over 680 families who have purchased a CHT home, over 90% were first-time home buyers. Despite restrictions on the price appreciation homeowners can realize upon resale, CHT homeowners who did sell realized a median internal rate of return of over 30%.[7]

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[6] From *Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust*, John Emmeus Davis & Alice Stokes, 2009

[7] From *Shared-Equity Homeownership Evaluation: Case Study of Champlain Housing Trust Final Report*, , The Urban Institute, October 2010.

OPAL – OF PEOPLE & LAND

Orcas Island in the San Juan island chain of Washington State has a permanent year-round population of 5,000. In the 1970s and early 1980s the island experienced rapidly increasing housing prices.

> *From 1970 to 2012, the average wage in San Juan County increased 392% while the average assessed value of property increased 3,117%. Housing costs therefore far outstripped the ability of many local wage earners to pay for them. Buying a median-priced home requires a 20% down payment plus an income of more than $75,000, yet the average island worker earns $31,500 a year. A household with two adults working full time, earning the average wage, cannot afford the median-priced home*[8].

Created in 1989, Of People & Land Community Land Trust (OPAL CLT) is a registered non-profit and charitable society and one of the first Community Land Trust organizations in the western U.S. OPAL's mission is *"to help sustain Orcas Island as a healthy, economically diverse community by providing permanently affordable homes and support for islanders – families, seniors, and singles – whose housing needs are not met by the traditional market."*

In OPAL's view the organization is as much about community building as it is about providing affordable housing. OPAL creates affordable homes for much needed younger residents, who through their employment on the island provide a variety of services (e.g. health care workers, teachers, service workers) and small businesses that are needed by other island residents (e.g. landscaping and home maintenance businesses, groceries, etc.). While the median age of Orcas Island is 55.3, the median age of OPAL home owners and renters is 31.1.

Since its creation, OPAL has built or renovated 103 permanently affordable ownership homes and 29 permanently affordable rental apartments in eight neighbourhoods. OPAL currently manages just over 55 acres of land on Orcas Island. The OPAL housing inventory includes a mix of single family homes, duplexes, triplexes and apartment units. Most OPAL homes are sold to buyers who have a gross household income that is 80% or less of the Area Median Income for San Juan County.

OPAL maintains permanent affordability by:

(1) Retaining ownership of the land the house is built on, and then leasing the land to the homeowner. The lease is for 99 years, and provides homeowners with most of the rights and responsibilities of traditional ownership. In OPAL's case, homeowners are charged a

[8] From: OPAL CLT website https://www.opalclt.org/about/the-need/

monthly management fee and an amount for taxes and insurance, making the typical lease fee $38/month.

(2) Codifying in the lease a resale formula that limits the future sale price of the home to an amount that will be affordable for future buyers. OPAL uses the index method to determine the resale price of homes when owners (lessees) wish to sell. Owners may sell their home for more than they paid, but their gain is restricted to the percentage gain specified by the formula.

As an example of how this works, an average home in OPAL's Bonnie Brae neighbourhood, completed in 1999, cost $130,000 to develop, including the cost of land and infrastructure. OPAL secured $25,000 per unit in grant funding from the Community Development Block Grant Program and the State of Washington Housing Trust Fund. Those grants enabled OPAL to set the average sales price for a home at $105,000 ($130,000 less the $25,000 grant). From 1999 to 2012, the consumer price index for the Seattle-Bremerton area increased by 38.1%. If the original owner decided to sell in 2012, 13 years after she purchased it, and if she did not build an addition onto her home, the sale price would be $145,021.

Original Purchase Price	
Cost to Construct	$130,000
Minus grant funding for land & Infrastructure	- $25,000
Equals the Original Purchase Price	$105,000
Change in Value for Resale	
% increase in consumer price index during period	38.1%
Appreciation over 13 years (Purchase price X .381)	$40,021
Sales Price (Original Purchase Price + Appreciation)	$145,021

In comparison to the above, the assessed value of real property on Orcas Island during this same time period (1999 to 2012) increased by 93.3%. This same house, with a 1999 value of $130,000 would have sold in 2012 for about $251,290 on the open real estate market, instead of the OPAL restricted resale price of $145,021[9].

Since 1996, OPAL CLT has had 69 resales and 52% of the sellers then purchased a home on the open market. During the same period, OPAL has had four foreclosures but has been able to successfully negotiate with the owners so there have been no defaults to date.

[9] From *Creating Community: Providing Affordable Housing on the San Juan Islands*, BC Rural Centre/SIBAC, n.d. available at https://www.bcruralcentre.org/focus/housing/

WHISTLER HOUSING AUTHORITY

The Whistler Housing Authority (WHA) was created in 1997 by the Resort Municipality of Whistler. Given rapidly increasing housing prices and limited inventory of long-term rentals, the WHA was created to ensure that employees could afford to live in the community. As an independent municipally-owned corporation, WHA's overall goal is to ensure that at least 75% of Whistler's workforce lives in the community.

The WHA assembles, purchases land and constructs affordable housing using funds generated by a special Employee Housing Service Charge Bylaw that goes into the Employee Restricted Housing Fund (ERHF). The Bylaw requires all developers of commercial, industrial and tourist accommodation in Whistler to contribute to the local affordable housing stock through either building rental housing for their employees, or by providing cash-in-lieu to the Employee Restricted Housing Fund. Land for housing is also contributed to the WHA at no charge through the municipally-owned Whistler 2020 Development Corporation that received 300 acres of provincial crown land in the lead-up to the 2010 Winter Olympic Games.

As of 2017, the WHA had created over 1,900 affordable housing units - 1,090 affordable homeownership units (54%) and 851 rental units (46%). The WHA housing inventory includes a wide variety of studio, one, two, three and four bedroom condos, townhouses and single detached homes. The WHA maintains a waitlist and when a unit becomes available for resale, the household at the top of the waitlist has the first opportunity to accept a purchase agreement at the controlled resale price. To purchase a WHA housing unit, prospective buyers and renters must meet several criteria:

- Must be a Canadian citizen or permanent resident and be a qualified employee or retiree. Qualified employees must work a minimum average of 20 hours/week within Whistler. An eligible retiree must be someone who was an employee in Whistler for five of the past six years prior to ceasing employment.
- While there is no "income testing" for eligibility, all successful applicants must confirm that they do not own any market real estate anywhere in the world.
- Each purchaser must obtain a mortgage pre-approval to indicate the maximum purchase price they have an approved mortgage for.

The WHA uses a restricted resale and price restriction registered covenant on title, first at the time of zoning; and then transferred to each unit at the time of subdivision. Two specific legal covenants are used – a housing agreement to stipulate occupancy and use (employee/retiree of Whistler) and a right of first refusal/option to purchase to set the terms and conditions of resale.

The WHA recognizes the critical importance of a resale price cap…*"In order to maintain a stock of more affordable housing in perpetuity for Whistler resident employees and retirees. The* *object is to start it lower and keep it low. The WHA calculates a maximum resale value for every resale restricted unit. Depending on the (history of the) unit, the resale appreciation is either tied to the Royal Bank of Canada prime lending rate, the Greater Vancouver Housing Price Index or the Canadian Core Consumer Price Index. For all future developments maximum resale values will be tied to (the) Core Consumer Price index."*[10]

However, as one case study of WHA noted that wasn't always the case…."*A final challenge has been and still is resale price controls. Designed to ensure future affordability – as opposed to windfall profits for purchasers – resale price controls restrict the appreciation of affordable housing units. In the early 1990's, Council opposed resale price controls and thought restricting occupancy and ownership to residents would be sufficient to keep prices down. At one of the early resident housing projects, "winners" of a housing lottery got the right to purchase a building lot and an opportunity to then build their own home. The assumption was they'd build modest houses which would be sold at an affordable price to future buyers. The assumption proved incorrect. Many built large sophisticated homes. Notwithstanding the resident-restricted covenant, these homes later sold at near market value."*[11]

Since learning that lesson, WHA's enhanced resale restrictions have definitely worked. As shown in Table 2, WHA restricted resale units sell at almost 50% of the price of open market units.

Table 2: Comparison of Resale Prices – WHA Resale Restricted Units & Market[12]

Housing Type	Restricted (WHA) Median Sale Price 2017 & Market Median Sale Price 2017	Minimum Down payment Requirement (CMHC)	Minimum Income required to support 32% of income dedicated to housing costs based on minimum down payment	% of Whistler households at or above required income to purchase
Condo - WHA	$241,295	$12,065	$59,894	65%
Condo - Market	$487,000	$24,350	$117,760	37%
Townhouse - WHA	$415,432	$20,772	$100,787	37%
Townhouse - Market	$899,000	$64,900	$208,410	9%
Single Family Dwelling - WHA	$735,314	$48,531	$171,133	17%
Single Family Dwelling - Market	$2,040,000	$408,000	$384,454	9%

[10] From: https://whistlerhousing.ca/pages/questions-on-purchasing-through-the-wha , accessed April 12, 2018.
[11] From: *The Whistler Housing Authority Story: A History of Affordable Housing in Whistler*, C. Dickinson, G. McKeever & M.Zucht, WHA 2009.
[12] FROM: *2018 Whistler Housing Authority Business & Financial Plan*, WHA 2018, page 14.

HABITAT FOR HUMANITY OKANAGAN

> *Habitat for Humanity's model empowers families to invest in home ownership. We believe every family should have safe, decent, affordable housing.*
>
> Habitat for Humanity Okanagan website

Habitat for Humanity Okanagan is an affiliate of Habitat for Humanity Canada, a non-profit housing organization. The Habitat for Humanity Okanagan (HFH Okanagan) affiliate serves the Okanagan valley from Armstrong to the US border. In existence for over 20 years, HFH Okanagan has built and sold 33 homes:

- Seven homes in West Kelowna
- One home in Kelowna
- Two homes in Lake Country
- Twelve homes in Rutland
- Four homes in Vernon
- One home in Penticton
- Six homes in Peachland

HFH Okanagan is currently working on a project to provide an additional 12 homes in Lake Country.

HFH Okanagan, like all HFH affiliates, uses a combination of volunteer labour, efficient management and tax deductible donations of money and materials to build homes. Partner families are required to commit up to 500 hours of sweat equity during construction of their homes. Due to Canada Revenue Agency rules, HFH Okanagan homes must be sold for 'fair market' value. HFH Okanagan therefore holds and provides a zero percent interest mortgage (to keep the housing affordable) for the partner family. HFH Okanagan retains first right of refusal to repurchase the home (through a restricted resale agreement) until the mortgage is paid off by the partner family. Mortgage repayments are then re-invested by HFH Okanagan into new housing projects.

FINANCIAL ANALYSIS OF LAND LEASE & SHARED-EQUITY HOMEOWNERSHIP SCENARIOS

To determine the financial implications of using a Community Land Trust/land lease and shared-equity homeownership program, the BC Rural Centre retained CitySpaces Consultants to prepare a series of financial analysis scenarios. The purpose of this financial analysis was to create cost estimates for construction of a variety of different housing types; and to determine the household incomes that would be required to purchase that housing unit. The rationale for conducting this analysis was to determine the financial effects a CLT or land lease model would have in terms of making homeownership more affordable for moderate income households.

Background Context

Currently in BC, the majority of affordable housing in the province is provided through two major delivery models:

1.) A non-profit housing organization typically acquires land free of charge through donations of land from the provincial or municipal government, or through private donations. The non-profit housing agency then receives a combination of grants and/or low interest mortgage financing to construct the housing. In most cases the housing organization then collects rents (income-based) from the residents, which over a long period of time repays the construction and mortgage financing. Increasingly, in this model non-profit housing agencies are looking to provide a combination of market and subsidized rental units in one housing development - so the market rate rental units can help further financially subsidize the construction costs of the lower income housing units.

2.) A private company receives some form of local government incentive (e.g. density bonuses) in order to build and offer a few units at "below" market value/rent for some specified period of time. This often means offering the housing at 10% below prevailing market rates. While these units typically have some form of rent or re-sale restrictions for a period of time, this approach raises two key questions: (i) does a 10% market differential really create "affordable" housing? and (ii) if the rental or re-sale restrictions come off after a specified period of time, is "affordable" housing truly created in the long-term?

The majority of affordable housing built in BC and elsewhere is higher density (e.g. apartments) or clustered housing (e.g. duplexes and row housing) since this is typically the most cost effective way to build housing and the most efficient and cost-effective use of land. This is particularly important in communities with very high land values. As well, single family homes are typically the most expensive form of housing and thus are very difficult to provide at "affordable" levels for moderate income earners without substantial additional subsidies.

In the context of the financial scenarios examined and discussed in the remainder of this section, it is important to remember that the shared-equity model is focused on providing affordable homeownership opportunities.

Assumptions & Scenario Analysis

Housing construction costs and housing re-sale values vary significantly between BC southern interior communities. In general, the financial analysis undertaken in this study represents a very high-level analysis of a broad range of communities and markets. It was intended to provide a framework for examining the high level financial implications of attempting to use a CLT or land lease and shared-equity model to provide an affordable homeownership option for moderate income households.

The financial analysis examined large, medium and smaller community markets within the BC southern interior. The major differences between these three market sizes are the costs of land, the re-sale values of existing homes and median household income levels. ***Given the significant variations in individual housing markets, site specific feasibility studies and business plans would be required to fully validate opportunities and quantify more accurate financial projections for each housing type in each market.***

Three scenarios were developed and examined:

SCENARIO 1 (Base Case) – In this scenario, a housing agency would provide housing "at cost" with no profit margin built in (a home builder/developer might typically look for a 10 – 15% profit margin). Total housing costs under this scenario includes the housing agency having to purchase the land. In Scenario 1 the housing purchaser is responsible for a 10% down payment and $1,000 to cover closing costs. The purchaser's down-payment and mortgage must cover the total individual housing unit's total project costs.

SCENARIO 2 (Land Contribution) – Under this scenario it is assumed that the housing lands are provided to the housing agency at no cost (donated or purchased with donations), but all other construction and financing costs remain the same as the Base Case scenario. Again, in this scenario the purchaser provides a 10% down payment and $1,000 to cover closing costs. Their individual down payments and mortgages must collectively cover the total individual housing unit's project costs.

SCENARIO 3 (Affordability for Median Income Single Parent Households) – This scenario builds upon Scenario 2 and quantifies the additional housing subsidies that would be required in order to allow either a single parent family or single individual households at the median household income level to qualify and service a mortgage. Under this scenario, the cumulative total of the individual purchaser's down-payment, the purchaser's mortgage - and any additional housing subsidies - must collectively cover the total project costs per housing unit (while keeping total housing costs to less than 32% of gross household income).

Summary of the Financial Analysis

Table 3 on the following pages provides a summary of some of the financial projections and analysis completed as part of the study. Table 3 shows the results of the analysis for the large community market segment. However, since the only material financial difference between the large, medium and small community market segments is a marginal difference in the price of land, the results for all three community market sizes were very similar[13]. Appendix A provides detailed information on the various assumptions and costs used to create the financial projections. The financial analysis was based on new construction cost estimates, but the last row of each table shows the average re-sale value of that housing type in the large community markets simply for comparison purposes.

Financial Analysis Results

The financial analysis undertaken in this study identifies and quantifies several important issues regarding the potential use of a Community Land Trust or land lease and shared-equity homeownership model to finance the provision of affordable homeownership.

First, the financial analysis demonstrates and helps to quantify the significant financial impacts that removing land values from housing purchase prices has on the affordability of housing (i.e. Scenarios 2 & 3). This is especially true in communities experiencing rapid or significant increases in land values. Indeed, this is one of the major rationales for using Community Land Trusts and land leases to help facilitate affordable housing. While in the United States this is typically achieved through CLTs, the experience in Whistler and private sector housing on First Nations lands in BC demonstrate that a separate legal Community Land Trust organization is not necessarily required. There are other legal mechanisms and mortgage restrictions than can effectively control re-sale practices and prices to ensure that a housing unit remains affordable in perpetuity.

Second, the financial analysis scenarios confirm – again not surprisingly – that housing affordability is much easier to achieve with higher density development forms (e.g. duplex, row housing or apartments).

[13] For more detailed information please refer to the background research report - *Shared Equity Homeownership Technical Background Report*, CitySpaces Consulting, June 21, 2018

Table 3: Summary of Financial Analysis of Scenarios[14]

NOTE: The Purchaser's Down-Payment + Purchaser's Mortgage + Additional Housing Subsidy must = Total Cost/Unit.
Scenario 1: Base Case; Scenario 2: Land Contribution; Scenario 3: Affordability for Median Income Single Parent & Single Individual Households

	SINGLE FAMILY HOUSE			DUPLEX			ROW HOUSING		
For Large Communities	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**
# of units/site	1	1	1	2	2	2	4	4	4
Gross Buildable Area (sq. feet)	1,500	1,500	1,500	3,000	3,000	3,000	6,000	6,000	6,000
Total Project Costs	$502,855	$311,134	$311,134	$665,543	$473,823	$473,823	$1,072,537	$853,429	$853,429
Total Cost/Unit	$502,855	$311,134	$311,134	$332,771	$236,911	$236,911	$268,134	$213,357	$213,357
Cost/Sq Ft.	$335	$207	$207	$222	$158	$158	$179	$142	$142
Purchaser's Down Payment (10%)	$50,285	$31,113	$31,113	$33,277	$23,691	$23,691	$26,813	$21,336	$21,336
Purchaser's Mortgage	$452,569	$280,021	$191,821	$299,494	$213,220	$191,620	$241,321	$192,021	$192,021
Additional Housing Subsidy Required (Scenario 3 only)	N/A	N/A	**$88,200**	N/A	N/A	**$21,600**	N/A	N/A	**$450**
Household Income Required for Mortgage	***$96,645***	***$61,263***	***$41,992***	***$65,256***	***$47,565***	***$41,952***	***$53,327***	***$43,218***	***$41,942***
Median Household Income 2 Parent Household	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000
Median Household Income Single Parent Household	$42,000	$42,000	***$42,000***	$42,000	$42,000	***$42,000***	$42,000	$42,000	***$42,000***
Median Income Single Individual	$29,000	$29,000	$29,000	$29,000	$29,000	$29,000	$29,000	$29,000	$29,000
Average Re-sale price of existing housing of this type	$383,000	$383,000	$383,000	$350,000	$350,000	$350,000	$306,000	$306,000	$306,000

[14] Summarized from data contained in the background research report - *Shared Equity Homeownership Technical Background Report*, CitySpaces Consulting, June 21, 2018

Table 3 (Continued): Summary of Financial Analysis of Scenarios

NOTE: The Purchaser's Down-Payment + Purchaser's Mortgage + Additional Housing Subsidy must = Total Cost/Unit.
Scenario 1: Base Case; Scenario 2: Land Contribution; Scenario 3: Affordability for Median Income Single Parent & Single Individual Households

	APARTMENT			MANUFACTURED HOME (FAMILY)			MANUFACTURED HOME (Single)		
For Large Communities	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 1**	**Scenario 2**	**Scenario 3**
# of units/site	32	32	32	3	3	3	4	4	4
Gross Buildable Area (sq. feet)	22,588	22,588	22,588	3000	3000	3000	2,000	2,000	2,000
Total Project Costs	$5,062,830	$4,241,172	$4,241,172	$605,158	$422,567	$422,567	$485,169	$302,579	$302,579
Total Cost/Unit	$158,213	$132,537	$132,537	$201,719	$140,856	$140,856	$121,292	$75,645	$75,645
Cost/Sq Ft.	$224	$188	$188	$202	$141	$141	$243	$151	$151
Purchaser's Down Payment (10%)	$15,821	$13,254	$13,254	$20,172	$14,086	$14,086	$12,129	$7,565	$7,565
Purchaser's mortgage	$142,392	$119,283	$117,123	$181,547	$126,770	$126,770	$109,163	$68,080	$68,080
Additional Housing Subsidy Required (Scenario 3 only)	N/A	N/A	**$2,160**	N/A	N/A	**$0**	N/A	N/A	**$0**
Household Income Required for Mortgage	***$34,403***	***$30,113***	***$28,988***	***$37,946***	***$27,753***	***$27,753***	***$24,484***	***$16,857***	***$16,857***
Median Household Income 2 Parent Household	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000	$86,000
Median Household Income Single Parent Household	$42,000	$42,000	$42,000	$42,000	$42,000	$42,000	$42,000	$42,000	$42,000
Median Income Single Individual	$29,000	$29,000	***$29,000***	$29,000	$29,000	***$29,000***	$29,000	$29,000	***$29,000***
Average Re-sale price of existing housing of this type	$140,000	$140,000	$140,000	$201,719	$140,856	$140,856	$121,292	$75,645	$75,645

Third, the financial analysis demonstrates that as long as the land value is removed from the purchase price, a CLT/land lease and shared-equity homeownership model provides an opportunity for homeownership for families in the $42,000 to $60,000 household income levels with limited additional public subsidies or housing grants potentially required for three bedroom row housing and duplexes. It is financially feasible for families in these income levels to potentially cover almost the entire construction costs of their homes through their 10% down payments and mortgages. This is extremely important, since households at these income levels in many communities of the southern interior simply cannot currently afford homeownership in the open private market.

Fourth, the financial analysis also demonstrates that for households in the considerably lower annual household income levels between $16,857 to $30,113, affordable homeownership may well be possible with apartment and manufactured home housing types. These housing types may also be more appropriate for single individuals.

Finally, and also not surprising, is the fact that if additional public subsidies or grants are provided (i.e. Scenario 3) to help acquire or build the housing; it is possible to further reduce the purchase price for each housing unit making it more affordable for lower income households.

Using Existing Housing Instead of New Construction

The financial projections developed for this project were based on new construction costs. However, the financial implications for the buyer remain the same whether they are purchasing an existing - or newly constructed - housing unit, as long as the purchase price remains the same. For example, if a non-profit housing organization was able to obtain an existing single family home valued at $350,000 (with an assessed land value of $100,000 and building value of $250,000) – the organization could retain ownership of the land, and then use a restricted resale agreement to sell the house for $250,000. For the buyer the legal and financial implications are the same as if the house was newly constructed.

There are, however, different financial implications that a non-profit housing organization would need to be aware of and examine in terms of acquiring existing housing stock. These would include examining the cost of acquiring an existing housing unit as compared to new construction costs; ensuring a thorough property and home inspection and due diligence to ensure there are no significant negative issues associated with the property or existing housing unit; and any potential costs associated with bringing an existing housing unit up to building code and appropriate standards for resale. However, several Community Land Trust affordable housing organizations in the United States (OPAL CLT, San Juan CLT, Champlain CLT Housing

Trust, etc.) have very successfully incorporated existing housing stock into their affordable housing inventory[15].

Strategic Partnership Opportunities

In the U.S. and the United Kingdom, most Community Land and Housing Trust organizations are stand-alone non-profit organizations. However, creating a new non-profit community land and housing trust organization requires significant effort and resources to both establish and operate. Within the BC context, it is suggested that a shared-equity homeownership model might best be delivered through a strategic partnership.

For example, the Community Land Trust (BC) is currently working with a number of partners to create over 350 new affordable homes on four properties in metro Vancouver based on a CLT model. The Community Land Trust is a non-profit society serving as the real estate development arm of the Co-operative Housing Federation of BC. Its mission is to acquire, create and preserve affordable housing for future generations with a focus on development and re-development of co-operative and non-profit housing. It is the Trust's goal to make land permanently available for housing targeting low to moderate income households, seniors and special interest groups. The Community Land Trust and the Co-operative Housing Federation both have significant real estate development and asset management experience, and thus can be valuable organizations to partner with.

Several non-profit housing organizations – such as Habitat for Humanity- have considerable experience in constructing affordable housing and using a shared-equity homeownership approach. However, it is often difficult for these organizations to assemble and acquire lands for their projects. In the interior of BC, the Columbia Basin Trust has purchased several parcels of land to ensure their long-term protection for environmental reasons and/or public recreational use. Perhaps, Columbia Basin Trust could be convinced to also purchase and hold lands in a regional CLT for affordable housing; and then partner with non-profit housing organizations to create and manage affordable housing units on these CLT lands.

[15] Please see *Creating Community: Providing Affordable Housing on the San Juan Islands*, BC Rural Centre/SIBAC, n.d. available at https://www.bcruralcentre.org/focus/housing/

Shared-Equity Homeownership Programs: Key Elements for Success

If one of a community or non-profit housing organization's objectives is to provide permanently affordable homeownership options, the research conducted by the BC Rural Centre suggests several key elements for improving the chances of success:

1.) ***Remove land costs from the housing unit purchase price***. The financial projections completed as part of this study clearly demonstrate the significant and dramatic effect removing land costs has on reducing a housing unit purchase price; and as a result, on the household income required to purchase that housing unit. In the United States this is primarily achieved through the use of Community Land Trusts. While Community Land Trust organizations could provide benefits in BC, the experience of the Whistler Housing Authority indicates that a separate CLT organization is not an absolute necessity for a successful affordable shared-equity homeownership program.

2.) ***Use a Restricted Resale Agreement that Controls Future Resale Prices and Procedures***. Again if the objective is to create permanently affordable homeownership opportunities it is important to control future resale prices and resale procedures of the housing unit to ensure it remains permanently affordable. In some cases in BC, projects that are labelled as "affordable homeownership housing projects" offer housing units at 10% below market price, but only restrict resale practices for a short time period of three to ten years. One of the problems with this approach is that after the restricted resale period the housing unit can be sold for full market price – and may no longer be affordable to many in the community. By controlling future resale prices and processes a non-profit housing organization can ensure housing units remain affordable and available for their target group. This is especially important in communities or regions that are likely to experience significant increases in land and housing values. Finally, it is also important to incorporate into the restricted resale agreement a clause that determines how any price appreciation gains on the housing unit will be shared between the non-profit housing organization and seller. Keeping a portion of any price appreciation gains not only helps provide additional financial resources to the non-profit housing organization, it also helps to ensure "subsidy retention". That is, ensuring that the non-profit housing organization can permanently retain and re-use the public subsidies that were used to initially create the affordable housing unit.

> *"The resale restrictions in shared-equity homeownership programs create a stock of permanently affordable owner-occupied housing by retaining the public subsidies in the home itself, rather than providing the full subsidy to only one household, such as in a down payment assistance program. By limiting appreciation, the homes remain affordable over time, eliminating (or minimizing) the need for additional subsidies to assist subsequent homebuyers."*[16]

3.) ***Use Existing Non-Profit Housing Development & Management Experience.*** In the BC context, the majority of non-profit housing will likely – and understandably – continue to focus on providing subsidized rental housing to homeless and the most-at-need low income individuals and families. A shared-equity affordable homeownership option will always therefore be a very small component of the overall non-profit housing market segment. However, as demonstrated by the Whistler Housing Authority and numerous affordable housing CLTs in the United States, it still requires significant administration effort to deliver and manage a shared-equity homeownership program. Therefore, in the BC context, it seems that a shared-equity homeownership program would be best delivered through a strategic partnership with an existing non-profit housing organizations like Habitat for Humanity (that already has expertise in a shared-equity approach) or another non-profit housing organization. As noted above, there are also organizations like the Community Land Trust that are interested in partnering with housing organizations to create affordable housing.

4.) ***Partner with Financial Institutions to provide Mortgages.*** As noted in the case studies, several non-profit housing organizations require potential buyers to first obtain proof of a pre-approved mortgage. This helps reduce some of the administrative effort and helps pre-verify a potential buyer's ability to secure and service a mortgage.

[16] From: A Promising Way Forward for Homeownership: Assessing the Benefits of Shared Equity Programs article in *Community Investments*, Spring 2011, Vol 23, Issue 1, pages 12-13.

CONCLUSION

Given the very significant challenges around homelessness and the shortage of appropriate rental properties, it is understandable that the focus of most non-profit housing organizations is on the homeless and low-income households.

However, as shown in this report, in many communities in the southern interior, increases in house prices have dramatically outpaced growth in household incomes – resulting in many households in the $42,000 to $60,000 income range being unable to purchase a home in their own communities. Often these “moderate” income households are caught in a catch 22 – they make too much to be eligible for subsidized rental housing, but cannot afford to purchase a home in the open real estate market.

The land lease and shared-equity homeownership model has significant potential benefits for communities, non-profit housing organizations and moderate income households.

As noted is this report, there is significant concern in several communities in BC about the ability of lower to moderate income households being able to purchase a home in their communities. There is a worry that this may become not only a social issue, but also an economic challenge for communities, if they cannot attract and retain workers. The experiences of the Whistler Housing Authority and the affordable housing CLTS in the United States has demonstrated that CLT/land lease and shared-equity homeownership models are not only successful models for providing affordable home ownership, but also help to create and maintain economically diverse communities, where moderate income workers can afford to live.

For the non-profit housing organization, it is a model that can potentially bring significant external capital to creating affordable housing through the provision of third party private sector mortgages. It also allows the non-profit housing organization to recover a very significant portion of their housing construction costs much more quickly than they would normally be able to through the more traditional subsidized rental housing approach. This would then allow the non-profit housing organization to more quickly redeploy these financial resources for additional affordable housing units. For one of their housing developments, the OPAL CLT estimated that almost 70% of the total project costs (including land and construction costs) were covered by homeowners’ down payments and mortgages.

For the potential purchaser, the shared-equity homeownership model also has several advantages. First and foremost, it may be the only way some moderate income families could afford to buy a home in their community. Second, it is a model that allows purchaser’s the opportunity to build some personal financial equity. It must be recognized that every home owner assumes some financial risk when purchasing a home. While most affordable housing will involve some form of resale price control (in order to ensure permanent affordability), most purchasers will still be ahead financially as compared to paying rent for decades. Over a 10 year period, a purchaser would often still be ahead financially even if the value of the housing unit they purchased decreased in value by 10 to 15%; since they would have gained personal financial equity by reducing the outstanding principal balance on their mortgage. Should the housing unit increase in price between when the buyer purchases and sells the housing unit, the shared-equity agreement means the purchaser will also benefit financially from the price appreciation of the housing unit. Third, as noted in the Champlain Housing Trust and OPAL CLT case studies, a shared-equity affordable homeownership program can actually help facilitate and ladder households over time into the private real estate market.

Challenges with Adoption and Implementation of the Model in BC

While it is obvious that CLTs and Housing Trusts in the U.S. have been extremely successful in creating permanently affordable homeownership opportunities, it is recognized there appear to be several challenges to wider adoption of the shared-equity homeownership model in BC, including:

1.) As noted earlier, current government funding and the efforts of most non-profit housing organizations are focused on those of the highest need – homeless and lower income seniors and families. Thus, many non-profit housing organizations in the province may simply not be interested in this model.

2.) There is a very high demand for affordable housing in most communities, and as a result, significant competition for the limited municipal and provincial lands available for affordable housing projects. It may well be that providing affordable housing for more moderate income households is simply not seen as a priority, making it difficult to assemble land for affordable homeownership projects targeting this income demographic.

3.) NIMBY (Not In My Backyard) syndrome. When reading case studies of affordable homeownership projects or speaking with staff from affordable housing organizations there is one constant – all initially faced some level of community and/or neighbourhood resistance. Even with the shared-equity homeownership model, some in the community may think having any form of "non-open market" housing near them will somehow negatively affect their own home prices. Two decades of experience in communities like Whistler BC, Burlington Vermont, and Orcas Island show that this isn't the case – indeed in many cases in the U.S., the rehabilitation of derelict housing and then the sale of these homes in a shared-equity homeownership program has actually increased the value of adjoining properties.

4.) The potential for significant declines in housing values. One of the housing consultants working on this project felt the risks of potential future declines (or stagnation) in house prices significantly limited the application of a shared-equity homeownership model in many smaller resource based communities. Indeed, land and housing prices can fluctuate significantly year over year in both rural and urban markets. As a result, there is a concern that one could have a situation where the value of the mortgage is higher than the house value. However, this is an issue shared by all homeowners. Similarly, mortgage interest rates fluctuate and the economic situations of some individuals and families change over time as the result of major life events like job loss or divorce. These are all issues that both the non-profit housing organization and a potential purchaser must be fully aware of; and have a clear policy for what occurs in these situations. As noted in the Champlain & OPAL CLT success stories, however, the experience of most U.S. CLT organizations is a very low mortgage default rate. Indeed, a national study showed that conventional American homeowners were 10 times more likely to be in foreclosure proceedings than CLT homeowners at the end of 2010[17].

5.) Some would argue that requiring a 10% down-payment is too onerous and could eliminate many individuals and families from participating. For the purposes of this study, a 10% down-payment from the purchaser was modelled so that the option for a third party private sector external mortgage provider might be possible. Given the issue noted above one could also argue that a shared-equity approach should also have some element of shared-risk between the non-profit housing organization and the purchaser. However, many U.S. CLTs raise additional grants and subsidies in order to further lower homebuyer down payment amounts.

Next Steps

As has been mentioned several times previously in this report, the financial analysis undertaken in this study is high-level. What the study and this report do confirm, however, is that it is both legally possible and financially viable to implement a land lease and/or shared-equity affordable homeownership model in BC.

It is clear that implementing a shared-equity homeownership model requires significant organizational capacity as well as affordable housing development and management expertise. To further implement this model in the interior of BC will almost certainly require the active participation of an existing non-profit housing organization.

If a non-profit housing organization wished to further explore and potentially implement a shared-equity affordable homeownership project, the next steps would be the completion of a detailed - and site specific - project business plan that would use current local land and housing prices, site preparation costs, construction costs, and construction loan and mortgage interest rates. The business plan should also confirm market demand for a shared-equity homeownership option; canvass and gauge the interest and support of potential partners

[17] *Stable Home Ownership in a Turbulent Economy*, Lincoln Institute of Land Policy Working Paper, 2011.

including local governments, BC Housing, other non-profit housing organizations; and potential private sector mortgage lenders.

The organizations and resources identified in Appendix B can provide significant information and sample tools for legal agreements and operating procedures for implementing a shared-equity homeownership model. Within BC, the legal agreements and covenants used by the Whistler Housing Authority (available on their website https://whistlerhousing.ca/) could be adapted and used elsewhere in the province.

APPENDIX A

The following assumptions & financial figures were used to create the shared-equity financial projections and analysis scenarios.

Housing Type Assumptions

- A standard 1,500 square foot three bedroom layout was assumed for single family, duplex and row housing types.
- Manufactured homes were analyzed on both 1,000 and 500 square foot scenarios.
- Apartments were analyzed based on a 600 square foot scenario.

Land Cost Assumptions

Land costs were high-level estimates of potential average cost by housing type and by small, medium and large markets. These estimates were determined by reviewing MLS sales prices and making high-level adjustments based on markets covered.

Estimated Land Costs	**Single Detached**	**Duplex**	**Row Housing**	**Apartment**	**Manufactured Home**
Small Market	$100,000	$100,000	$125,000	N/A	$100,000
Medium Market	$125,000	$125,000	$150,000	N/A	$125,000
Large Market	$175,000	$175,000	$200,000	$750,000	$175,000

Development Cost Assumptions

- It is assumed there are minimal servicing and installation costs required for the development of each land parcel, and thus, it is assumed municipal services extend to the lot line in each scenario.
- Housing hard costs are high-level estimates, and may be further refined depending on the rate of trades and costing in each sub-market. Hard costs ranged from $115 to $160 per square foot, depending on the development type.
- Soft costs are estimated as 10% of hard costs, and were determined based on on-going construction projects and due diligence completed with experts in the field.
- Developer profit was not assumed, given the scenarios are based on construction by a non-profit. In a market scenario, a targeted profit by a builder might be in the range of 15% of costs.
- A low construction loan rate of 1.5% on 100% of construction costs is estimated as it is assumed a below market financing program will be pursued to maintain affordability in each scenario.
- A 50% GST rebate is assumed as is the case with affordable housing developments.

Housing Cost Assumptions

- No Property Transfer Taxes were applied.
- Mortgage rate estimated at 3%.

- Regarding property taxes, three markets were chosen for each large, medium, and small market; the assumption was these taxes were only payable on the value of the improvements. Nelson was chosen as the representative small market, Osoyoos property taxes were used for the medium market, and Kelowna was selected as the large market.
- Strata fees were estimated at $100 per month for the apartment option.
- Single family homes, duplexes and row homes are assumed to be fee simple with no strata fees applicable.
- Closing costs of $1,000 were estimated for costs such as legal fees associated with a home purchase.

APPENDIX B

For those interested in learning more about Community Land Trusts and/or non-profit housing organizations using the shared-equity homeownership model, the following are some key resource websites and documents. The Whistler Housing Authority website in particular has several very useful legal documents.

1.) **National Community Land Trust Network** https://cltnetwork.org

2.) **Grounded Solutions Network** https://groundedsolutions.org

3.) **Lincoln Institute of Land Policy** https://www.lincolninst.edu/about-lincoln-institute

4.) **Burlington Associates in Community Development** https://www.burlingtonassociates.com/#!/home

5.) **Community Land Trust Foundation of BC** www.cltrust.ca

6.) **Whistler Housing Authority** https://whistlerhousing.ca/

7.) **Champlain Housing Trust** https://www.getahome.org/

8.) **OPAL (Of People & Land) CLT** https://www.opalclt.org/

9.) ***Community Land Trusts: The Solution to Metro Vancouver's Housing Affordability Crisis***? November 2016, False Creek South Neighbourhood Association & Real Estate Foundation of BC http://www.refbc.com/sites/default/files/Community%20Land%20Trusts%20in%20Metro%20Vancouver%20FINAL%20March%202017.pdf

10.) ***Affordable Homeownership: An Evaluation of Shared Equity Programs*** March 2017, Urban Institute https://www.nationalservice.gov/sites/default/files/evidenceexchange/FR_CHIP%20Final%20Report_2017.pdf

11.) ***Lands in Trust, Homes that Last: A Performance Evaluation of the Champlain Housing Trust***, John Emmeus Davis & Alice Stokes, 2009 https://community-wealth.org/content/lands-trust-homes-last-performance-evaluation-champlain-housing-trust

12.) ***CLT Technical Manual,*** 2011, National Community Land Trust Network https://cltnetwork.org/2011-clt-technical-manual/