



Shared Equity Homeownership

Technical Background Report

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Prepared by CitySpaces Consulting

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Acknowledgements

This report is one of several documents created as part of the Community Land Trusts & Rural Development Project created and managed by SIBAC in partnership with the Real Estate Foundation of BC. Additional reports and documents created as part of this project will be made available on SIBAC's BC Rural Centre website: www.bcruralcentre.org.

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SIBAC is a non-profit rural development organization. SIBAC's founding members are the nine Regional Districts and six Tribal Councils in the southern interior and the CFDC of Central Interior First Nations. Committed to advancing rural development in the province, SIBAC focusses its activities on three major areas: (i) providing a southern interior rural perspective into government consultation processes; (ii) encouraging the development of new rural development policies and programs; and, (iii) developing and leading strategic rural development projects. Learn more at www.sibacs.com and www.bcruralcentre.org.

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Executive Summary

Synopsis

The Southern Interior of B.C. has been commonly perceived as an affordable area of the Province. However, key housing indicators demonstrate that there is a growing gap between median household incomes and average resale home values in these communities, creating challenges for moderate income households to enter into the homeownership market through conventional methods. It is especially challenging for moderate income families and, in particular, single-parent households.

The housing sector and various levels of government have responded to housing issues by supporting and increasing the supply of purpose-built rental and non-market housing. This response is serving a wide range of households in need and prioritizes low-income and vulnerable populations – a very important component of the housing continuum.

While there continues to be an effort to respond to meeting the needs of low-income and vulnerable populations, there is a population segment – moderate income family households – that struggle with affordable housing but neither qualify for subsidized rental housing nor have enough savings for a downpayment or earn enough income to become a first-time homebuyer. This population segment has been growing given the increasing resale values in B.C.'s Southern Interior and tightening mortgage and lending rules.

This study explores the opportunity to address the specific issue of moderate income family households in B.C.'s Southern Interior challenged to enter the homeownership market by intervening with a land lease and shared equity homeownership program. This program aims to complement non-market and rental housing as another category along the housing continuum, alleviate pressure on the rental stock, and increase the availability of housing options to attract and retain a resilient workforce.

Key Findings

- **Relevant Examples of Success:** Case studies from Western Canada and the United States indicate that shared equity homeownership programs, sometimes delivered as a program in conjunction with a community land trust, have achieved success in helping moderate income households secure homeownership.
- **A Limited Viability Program in B.C.'s Southern Interior:** The research and analysis from this study indicates that a shared equity homeownership program would have *limited viability* in small, medium and large communities in every scenario and housing typology tested.

- ✱ The historically low to moderate growth rate in housing asset appreciation for the selected housing typologies and communities, and estimated projected equity gains over the long-term, indicates that nominal house price appreciation could occur in smaller and rural communities as identified within the geographic scope of this study. Both the administrator and the participating households must be aware of the risk of potentially nominal house price appreciation.
 - ✱ The *limited viability* outcome from the research and analysis is based on a high-level, broad agglomeration of numerous communities and markets. Site-specific feasibility studies are required to fully validate opportunities in each market and respond to specific community anomalies.
 - ✱ There are likely unique anomalies in small resort communities that experience consistent growth in housing demand and asset appreciation correlated with economic development. These communities may be better positioned for a shared equity homeownership program compared to resource-based small towns where markets fluctuate in tandem with resource commodities.
- **Larger Markets Are More Promising:** Although the upfront equity and land costs in large urban markets are higher compared to medium and small markets, the high home prices and long-term potential asset appreciation in large markets may make a shared equity homeownership program more feasible given the total potential amount of equity that can be shared between the administering organization and the participating household is greater over the long term. This scenario may be adequate to fulfill the program objectives such as the accumulation of equity for the participating household and possibly enough equity for households to move into market homeownership, and an adequate return on investment for administrators to sustain operations and potentially reinvest into their portfolio and expand programs.
 - **Smaller Markets May Carry More Risk:** Although the upfront equity and land costs are initially more affordable in small and medium sized markets, the long-term potential equity gains in these communities are estimated to be minimal, even in high growth scenarios.
 - ✱ There is limited research, case studies and evaluation studies on shared equity homeownership in small and rural communities to confirm or disconfirm the risk inherent to delivering a shared equity homeownership program in small and rural communities within the geographic scope of this study. It is the consultants' assumption, based on historic market conditions, that equity gains over the long term will not be significant enough to generate a return on investment for the administrator to sustain operations or reinvest into a portfolio, and that equity gains may not be substantial enough to suggest that the participating household would benefit from such a program in the long term.
 - The potential **Project Scale Makes a Difference:** The *limited viability* outcome from the research and analysis is based on a baseline project size (number of units) and assumes a 50/50 equity share between the participating households and the administering organization. However, the analysis indicates that as the scale of the project size increases, the equity share could be adjusted so that there is more benefit provided to the participating households. The number of units can be adjusted (based on site-specific

feasibility studies) and scaled up (increase the number of units) to make projects more feasible as well. More units in a project can generate a greater return for the administering organization; and, more units in a project can provide the flexibility to adjust the share (i.e. to a 70/30 split) providing scalable equity gains for both the administrator and the participating household.

- * A key challenge of increasing project scale is ensuring the market can support and absorb the number of new units, especially in small and medium sized communities.

Benefits + Risks

BENEFITS

There are a number of benefits associated with implementing a land lease and shared equity homeownership program in B.C.'s Southern Interior:

- Addresses the far right side of the housing continuum, complementing market rental and non-market housing.
- Provides more housing choice to moderate income households.
- Provides long-term security of housing tenure and an opportunity for financial savings for moderate income households.
- Combined with a potential community land trust, could provide long-term security of land for affordable homeownership.

RISKS

There are a number of risks associated with implementing a shared equity homeownership program in B.C.'s Southern Interior:

- New organizations have the greatest risk of failure and dissolving within the first 1 to 3 years of operation. Administrative capacity must be available and sustainable to undertake such an initiative.
- Securing the support of a lender is required, and the model may not conform to conventional lender rules.
- Securing upfront capital and grants to initiate the program, as well as operating dollars, required to cover administrative costs is uncertain. Funders and philanthropic organizations are more likely to prioritize market rental, affordable rental and non-market housing projects.
- Securing land at a nominal, discounted rate or as a gift is uncertain given the limited suitable parcels that become available for housing and given the competitive environment to secure land for affordable housing for high need populations including low-income households.
- Ensuring the market can support and absorb the number of new units in small and rural communities.

- Small and rural communities in resource-based economies have a higher risk of experiencing economic transitions, which adversely affects the housing market both in terms of inflating rental and resale prices during booms and significant reduction in values during busts. Times of transitional decline can lead to households having “underwater mortgages” where they owe more on their homes than they are worth. This is an inherent risk to applying a shared equity homeownership program to this geographic area of the Province.
- Even in larger markets, a shared equity affordable homeownership program could be put at risk by cyclical macroeconomic changes such as changes in unemployment, inflation, and interest rates.
- Community support is important for the success of a shared equity homeownership program. However, community members may not appreciate the benefits of an affordable homeownership program for households that are able to afford the average rental unit in their respective communities, and may criticize funds and/or land that is used towards moderate income populations and homeownership rather than to higher need/low-income populations.
- There may not be the political will, at the local, regional or provincial levels, to support affordable homeownership projects in B.C.’s Southern Interior given the priority for market rental, affordable rental and non-market housing projects. There is also a perception that homeownership is more affordable in B.C.’s Southern Interior compared to major centres in the Province (e.g. Vancouver and Victoria) and as such, may be dismissed as a low priority program.

Next Steps

As described in this report, the financial analysis undertaken in this study is high-level and is the starting point in which to further explore an affordable homeownership program in the B.C. Southern Interior. There are tools available in B.C. to support such a program, such as restricting resale prices by way of a covenant that is registered on title. The high-level financial analysis also demonstrates that a land lease and/or shared equity homeownership model could have limited viability in B.C., and there are successful case studies that are examples of what is possible.

Implementing a shared equity homeownership model requires significant organizational capacity and affordable housing development and management expertise. To further explore this model in the B.C. Southern Interior would likely require the involvement of a non-profit organization and potentially other partners.

Should a suitable non-profit organization express interest in having a role or administering a shared equity homeownership program, the next step would be to complete a site-specific feasibility study and business plan that would take into account local land and housing prices, site preparation costs, construction costs, as well as construction loan and mortgage interest rates.

Resources identified in Appendix C provide further information on legal and policy approaches to implementing a shared equity homeownership model.

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Introduction

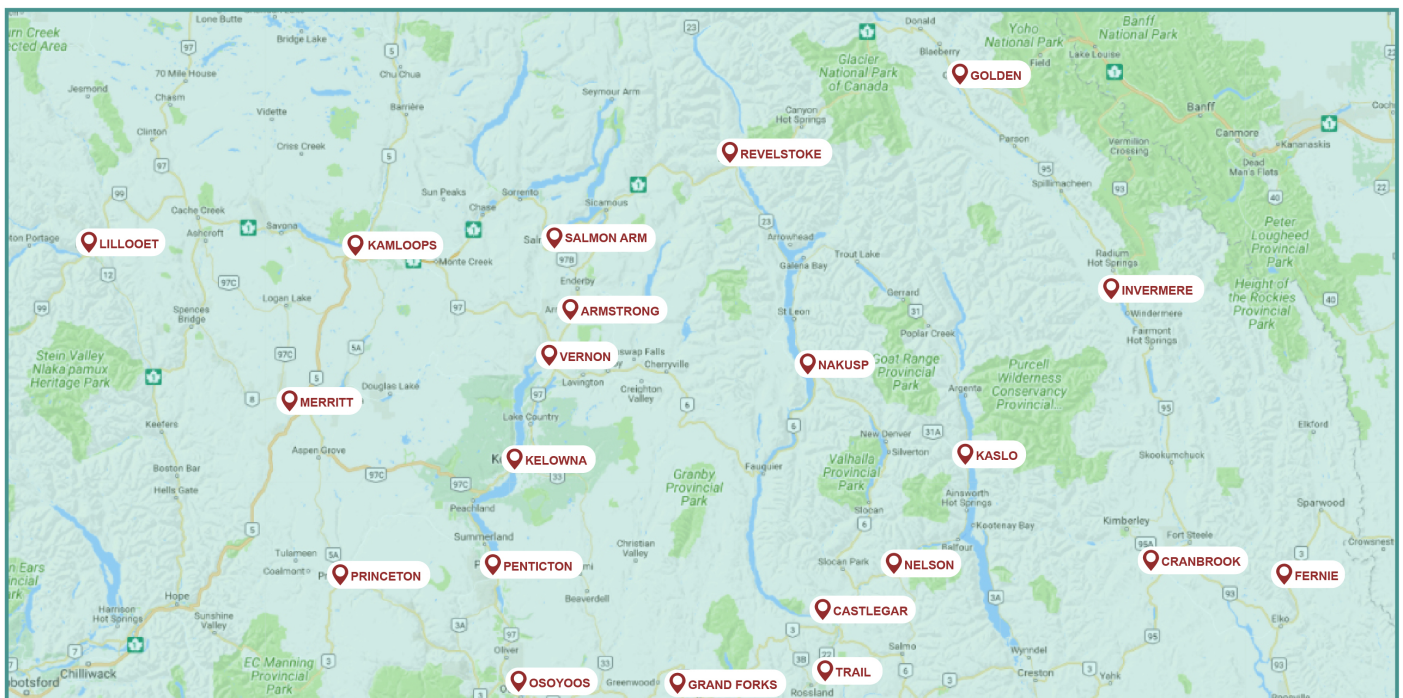
Purpose

The BC Rural Centre (BCRC)¹ engaged CitySpaces Consulting to undertake a feasibility study to explore the viability of introducing an affordable homeownership program to the B.C. Southern Interior. Key objectives of this study were to:

- Understand affordable homeownership models that could be potentially applied to the B.C. Southern Interior context, such as shared equity homeownership and community land trusts;
- Demonstrate the need for affordable homeownership and confirm the target population that would be most appropriate for an affordable homeownership program in the B.C. Southern Interior; and,
- Apply affordable homeownership models to different housing scenarios to determine if these are viable interventions to make homeownership affordable to the select target population.

In-Scope Communities

The BCRC encompasses a broad geographic area including communities within the Regional District of East Kootenay, Central Kootenay, Kootenay Boundary, Okanagan Similkameen, Central Okanagan, North Okanagan, Columbia Shuswap, Thompson Nicola and Squamish Lillooet. Specific communities analyzed within this study are illustrated on the map below.



¹ The BC Rural Centre was formerly the Southern Interior Beetle Action Coalition

For the purposes of this study, communities located within the rural and unincorporated areas were not analyzed and it is assumed that any affordable homeownership program would likely be applied to established / incorporated communities. However, it is well understood that populations located within the rural and unincorporated areas form a part of the inherent demand for housing given that there is historic patterns of household in-migration from rural areas to small, mid-sized and urban communities within the B.C. Southern Interior.

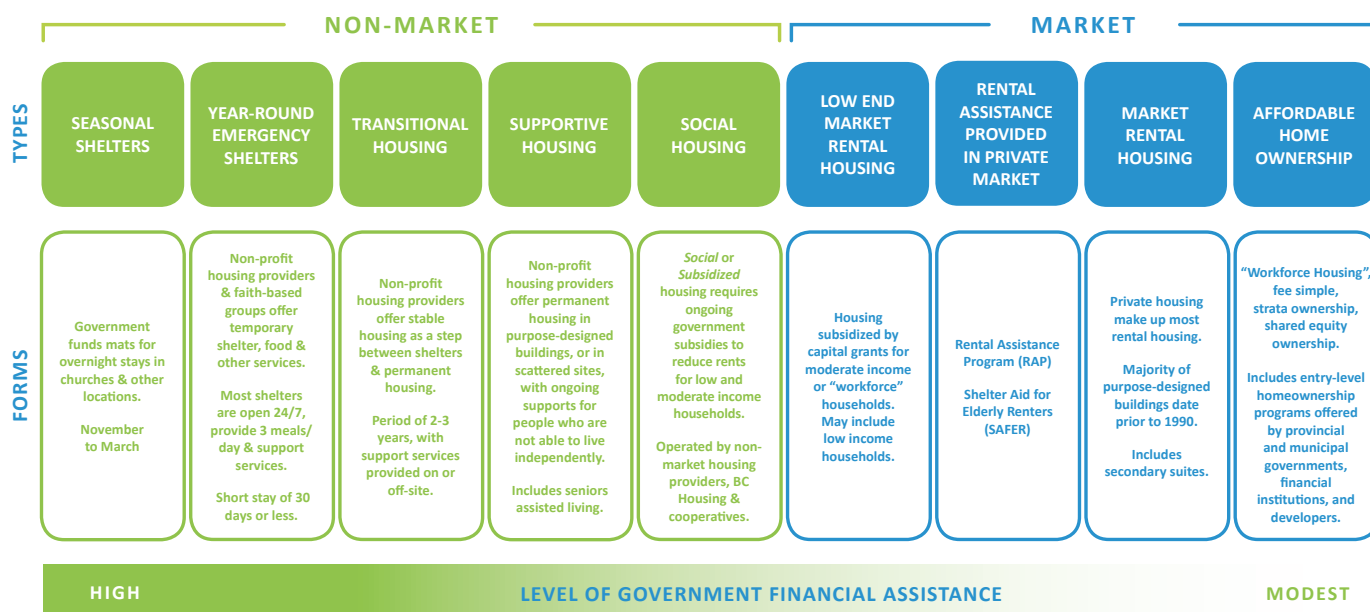
Affordable Housing in the B.C. Southern Interior

Defining Affordable Housing

Affordable housing is the relationship between household income and the income available for either renting or purchasing a home. Using CMHC standards of housing affordability, housing is considered unaffordable if a household spends 30% or more of its gross household income on shelter costs. Households spending greater than 50% of their gross income on shelter fall below the standard level of affordability, and are considered to be in core housing need. For homeowners, shelter costs include mortgage payments (principal and interest), property taxes, condominium/strata fees (if any) and payments for electricity, water and other municipal services.

The housing continuum visually illustrates the spectrum of housing to meet the needs of households within a wide range of incomes and circumstances, from market to non-market housing. Non-market housing refers to housing below average market rents, and includes emergency shelters, various forms of supportive housing, rent-geared to income (RGI) and housing co-operatives. Moving across the housing continuum to the right is market rental housing including low-end of market rental, rental assistance provided in the private rental market such as rent supplements, and affordable homeownership.

Figure 1: The Housing Continuum

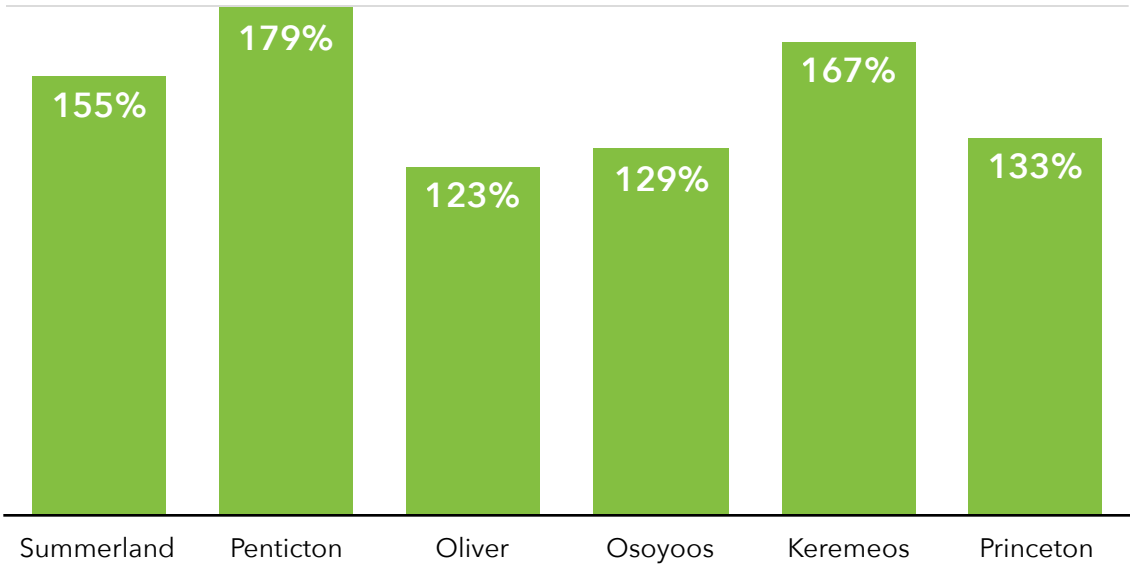


The mix of, and demand for, market and non-market housing varies in every community. A key principle of the housing continuum is that households should have the opportunity to move across the continuum and find housing that is adequate, suitable, affordable and best suited to meet their needs and circumstances.

Housing Needs and Gaps

There is an exponential housing affordability challenge across the entire Province of B.C., with the B.C. Southern Interior being no exception. The interior parts of the Province are often perceived as more affordable compared to urban markets such as Vancouver and Victoria; however, the average resale values have increased significantly over the past fifteen years and more households are priced out of the homeownership market than have been previously. Recent studies indicate that these housing affordability issues are adversely affecting young working individuals and families in the Okanagan Similkameen Regional District, which is causing concern for limiting the ability to attract and retain workers.²

Figure 2: Average Resale Value Change Between 2000 and 2015 ²

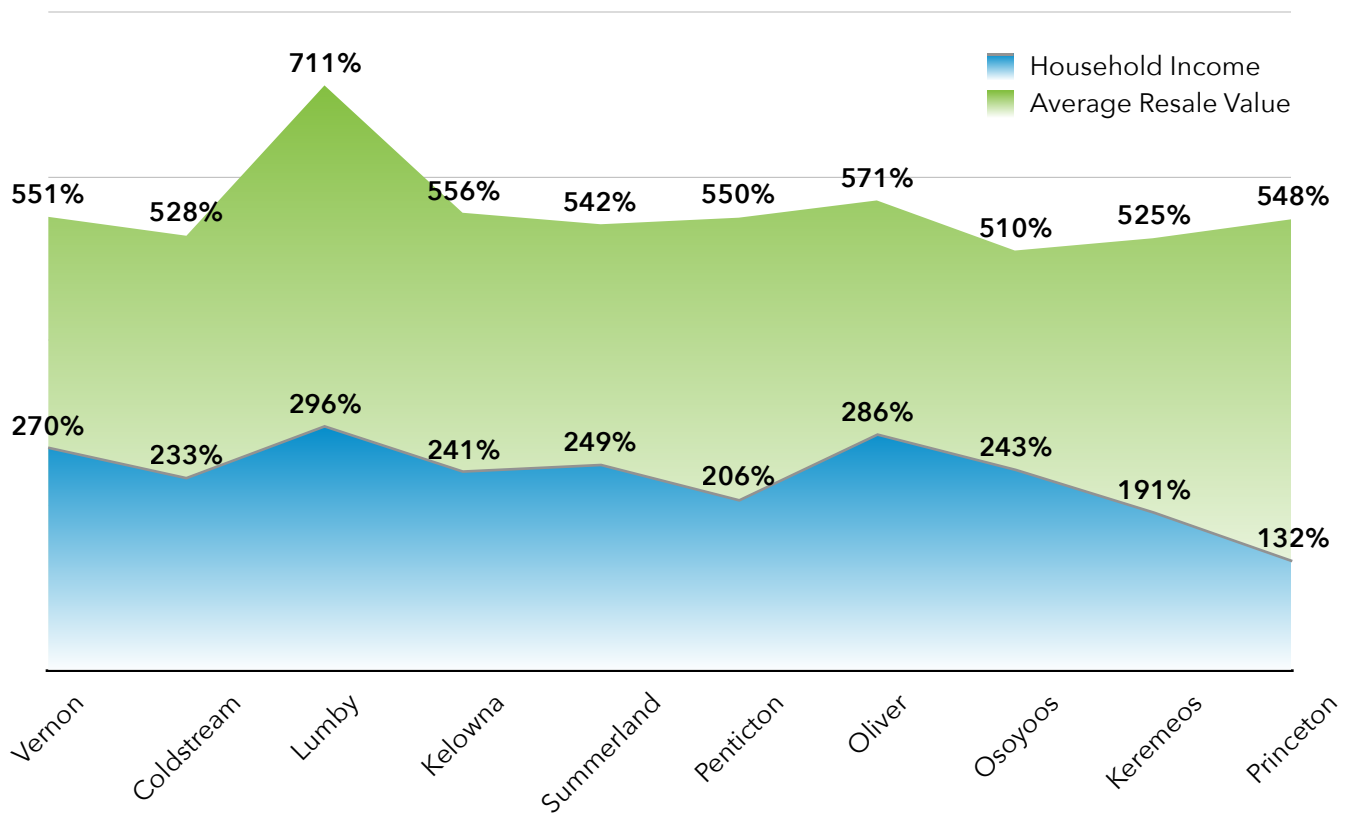


While the average resale value has increased significantly within the B.C. Southern Interior, incomes have not been increasing at the same rate. In most communities, housing prices have near doubled the rate of household income. This trend aligns with the growing gap between household income and average resale prices across Canada, where house prices have increased on average 2.1 times that of household income between 2000 and 2015.³

² Statistical Background Report Okanagan Similkameen Regional District, SIBAC (2017)

³ For markets with less than 500,000 population, Canada’s Middle-Income Housing Affordability Crisis, Frontier Centre for Public Policy (2016)

Figure 3: Household Income and Average Resale Value Change Between 1985 and 2010 ⁴



Approaches to Delivering Affordable Housing

Current approaches to delivering affordable housing in B.C. has largely focused on the left side of the housing continuum: emergency shelters, non-market housing, low-end of market rental and market rental housing. This is largely due to the significant need and demand for these housing forms to serve low-income and vulnerable populations including persons experiencing and at-risk of homelessness. There is also a rental and non-market housing deficit across B.C. given recent decades of absent provincial and federal funding for affordable housing and the withdrawal of incentives for purpose-built rental housing. There is an estimated backlog of nearly 80,000 rental units in B.C., with an estimated need of 7,000 new rental units, on average, per year over the next ten years (2017-2026).⁵

Given the significant need, demand and deficit of purpose-built rental housing and non-market housing in B.C., the “housing sector” primarily works within this area of the housing continuum. The housing sector largely involves non-profit housing societies that operate affordable rental or non-market housing and typically obtain capital contribution and subsidized financing from senior levels of government such as BC Housing.

⁴ Statistical Background Report Okanagan Similkameen Regional District, SIBAC (2017)

⁵ An Affordable Housing Plan for BC, BCNPHA (2016)

Currently, the Provincial government does not prioritize affordable homeownership in its service delivery, and it is anticipated that provincial programs will continue to focus on low-income and vulnerable populations who are in need of independent and supportive affordable rental housing. However, there are provincial programs available to make homeownership more affordable to seniors and entry-level home buyers:

- **Home Owner Grant:** offers reductions in residential property taxes for the primary residence of homeowners when the value of the residence is within the grant threshold of \$1,600,000 and based on geographic area. For the Southern Interior of B.C., the homeowner grant is \$770 per year. Top-up homeowner grants are provided to low-income seniors, persons with disabilities and veterans.
- **First Time Home Buyers' Program:** designed to help entry-level home buyers purchase their first home by providing an exemption from property transfer tax for homes valued below \$500,000; or a partial exemption for homes valued below \$525,000.⁶
- **BC Home Owner Mortgage and Equity Partnership:** a recently introduced program that assists first-time home buyers by providing a repayable downpayment assistance loan, up to a maximum of 5% of the purchase price and for homes valued below \$750,000. Households must have a gross annual income of less than \$150,000 and repay the loan within a 25 year term (in tandem with the maximum amortization period), which is interest and payment free for the first five years. The loan is registered on title as a second mortgage.
- **Property Tax Deferral:** is a low interest loan program that helps homeowners pay their annual property taxes on their principal residence. Eligible households include seniors (over the age of 55), a surviving spouse or person with a disability (of any age), and family households with dependent children.
- **Home Adaptation for Independence (HAFI):** offered through BC Housing, the HAFI program provides grants up to \$20,000 for home modifications to help low-income homeowners with mobility or health issues continue to live in their home. Home value eligibility limits vary in B.C.'s Southern Interior from \$300,000 in Nelson and Trail to \$525,000 in Kelowna. This successful and well-utilized program typically exhausts its' annual funding allocation before the end of each fiscal year.

While rental and non-market housing continues to be the primary focus of the provincial government's housing program mandate, BC Housing has piloted affordable homeownership projects in Fernie, Port Moody and Vancouver. These projects are featured in the case studies section of this report and are models that leveraged private market development projects in partnership with local non-profit housing societies.

At the national level, the federal government recently engaged with stakeholders and the public across Canada on housing issues, opportunities and ideas. Its "Let's Talk Housing" engagement summary report highlighted an

⁶ Foreign entities and taxable trustees not eligible for exemption; properties must be 0.5 hectares (1.24 acres) or smaller to qualify - BC Housing (2017)

appetite for affordable homeownership including opportunities for innovative financing models, shared equity opportunities, repayable homeownership loans, and incentives for sustainability upgrades. The report identified affordable homeownership priority populations including first time home-buyers, young cohorts, newcomers, and households with no credit history. Specific emphasis was placed on the lack of supports and incentives to encourage homeownership among Indigenous populations.

Although the Let's Talk Housing engagement summary report drew attention to the interest and aspirations for federally supported affordable homeownership, the federal government's recently introduced National Housing Strategy⁷ focuses on rental and non-market housing and it is not anticipated that affordable homeownership will be part of a national housing program.

- ▶ The federal government historically had an affordable homeownership program known as the Assisted Home Ownership Program (AHOP) which was introduced in 1971 and ended in 1978. The program was geared towards low-income first-time home buyers (mainly families) to attain homeownership, as well as to help stimulate the housing market. While CMHC subsidized the interest rates for households in this program, AHOP was an ultimate failure when numerous households defaulted on their mortgages during the escalating interest rates of the 1980s.

While at this time there are limited Provincial programs and no Federal government programs aimed at making homeownership more affordable, municipalities have utilized land use mechanisms to provide alternative options to the single-detached housing form which is typically the most expensive housing form in most communities. These land use mechanisms include permitting and encouraging secondary suites (mortgage helpers), compact lots, duplexes, triplexes, fourplexes, townhouses, and other multi-unit condominiums.

Although municipalities are facilitating more housing typology options for potential home buyers, some of these options remain unaffordable to moderate-income households. Recent changes to CMHC lending rules further compound homeownership affordability issues for moderate-income households with increasing limitations of the amount that households can borrow and what they can 'afford' to purchase. Amortization rules were reduced from 35 years to 25 years, resulting in households either having higher monthly mortgage payments to pay off their mortgage in a shorter amount of time, or borrowing less and thereby purchasing a smaller or older unit, or not being approved for a mortgage loan altogether.

Further changes were recently introduced to mortgage lending, including the "stress test" for all insured mortgage applications. The stress-test, which applies to all buyers with less than 20% downpayment, determines if a borrower could afford to repay a loan if interest rates increase in the future, rather than determining ability to borrow based on current interest rates. The stress-test further erodes the number of eligible households from

⁷ The National Housing Strategy was announced on November 22nd, 2017

accessing conventional mortgage loans, and it is projected that, across Canada, approximately 800,000 fewer households will be able to qualify for a mortgage on an average-priced house by the year 2020.⁸

These changes to lending rules have been introduced to ensure long term stability in the housing and mortgage market, as well as to protect households from becoming financially overextended and to cure record high household debt.

While there is a significant need to continue supporting and increasing the supply of purpose-built rental and non-market housing in B.C., the increasing resale values and tightening mortgage and lending rules indicate that affordable homeownership may be worth exploring. Specifically:

- **Complement Rental and Non-Market Housing:** It is acknowledged that there is a significant need for rental and non-market housing across the Province including the Southern Interior of B.C. Exploring affordable homeownership opportunities is not intended to replace or refocus efforts away from rental and non-market housing, but rather complement it as another category along the housing continuum.
- **Alleviate Pressure on the Rental Stock:** The increasing resale values for homeownership and stricter lending rules means that more households are unable to enter the homeownership market through conventional methods, and instead remain as renters. While some of these households earn enough income to cover a typical monthly mortgage, increasing rental prices limits their ability to save enough money for a downpayment, and again these households remain as renters. Moving some of these moderate-income renters 'up' the housing continuum could help alleviate pressures on the rental supply, potentially increasing the availability of rental units to other households in need.
- **Attracting a Strong Workforce:** Communities within B.C.'s Southern Interior compete with other communities for a strong workforce including skilled labour, professionals such as doctors and nurses, among other industry sectors. Homeownership affordability is a key criteria that many migrating households look for when selecting a community to relocate to. Affordable homeownership can help attract and retain a strong workforce.
- **Equity Gains:** Households who enter into homeownership have the opportunity to accumulate equity, over time, on their property in communities that experience consistent appreciation of housing assets. This can provide long-term financial security and retirement savings for households and families.

⁸ *Canada's Middle-Income Housing Affordability Crisis, Frontier Centre for Public Policy (2016)*

- ▶ A Note on Equity Gains: Small and rural communities in resource-based economies have a higher risk of experiencing economic transitions, which adversely affects the housing market both in terms of inflating rental and resale prices during booms and significant reduction in values during busts. Times of transitional decline can lead to households having “underwater mortgages” where they owe more on their homes than what they are worth. This potential risk has been considered as part of the feasibility analysis of an affordable homeownership program in the B.C. Southern Interior.

Homeownership Affordability

A comprehensive homeownership affordability analysis was undertaken for in-scope communities in B.C.’s Southern Interior. This analysis demonstrates the purchase price that moderate income households⁹ are able to afford based on their income and compared to the average resale prices for various housing typologies. These were further analyzed by household compositions: couple households, single-parent households, and single-person households. Detailed affordable homeownership summary tables can be found in Appendix A. Generally, the homeownership affordability analysis indicates that:

- Moderate-income couple households are better able to afford purchasing homes in the B.C. Southern Interior compared to single parent households and single person households. The exception is found in the communities of Kaslo, Osoyoos, Penticton, Kelowna and Armstrong where the average resale values of single detached homes and duplexes exceed the affordable purchase prices for moderate-income couple households.
- Single-parent households are challenged to afford the average resale prices in all communities and all housing forms. The exception is in Kamloops, where the average resale value for apartment condominiums is within the affordability range for what single-parent households earning a moderate-income are able to afford. The average resale value for manufactured homes are also affordable to moderate income single-parent households in the communities of Invermere, Castlegar, Nakusp, Grand Forks, Trail, Princeton, Golden, Revelstoke and Kamloops.
- Moderate-income single-person households cannot afford to purchase a home of any typology, in any community, with the exception of the average resale value of manufactured homes in Castlegar.

Throughout the entire Southern Interior of B.C., within scope of this study, there are approximately 125,000 households that meet the criteria of moderate income households.

⁹ The homeownership affordability analysis focused on what moderate-income households (households who earn the median income in their respective community) can afford to purchase. Low-income households were excluded from this analysis as it is assumed that low-income households would be targeted / better candidates for market and non-market rental housing

The following tables illustrates the mortgages that can be secured for eligible households based on gross household income, including estimated monthly mortgage payments (Table 1), and incomes required to afford the average single detached dwelling by community type (Table 2).

Table 1: Gross Household Income / Mortgage Affordability Table

| Gross Household Income | Maximum Purchase Price | Maximum Mortgage (with 10% Downpayment) | Monthly Household Mortgage Payments (25 year amortization) |
|-------------------------------|-------------------------------|--|---|
| \$20,000 | n/a | n/a | n/a |
| \$30,000 | \$55,344 | \$49,809 | \$250 |
| \$40,000 | \$114,377 | \$102,939 | \$517 |
| \$50,000 | \$173,411 | \$156,070 | \$783 |
| \$60,000 | \$232,444 | \$209,200 | \$1,050 |
| \$70,000 | \$291,477 | \$262,330 | \$1,317 |
| \$80,000 | \$350,511 | \$315,460 | \$1,583 |
| \$90,000 | \$409,544 | \$368,590 | \$1,850 |
| \$100,000 | \$468,578 | \$421,720 | \$2,117 |

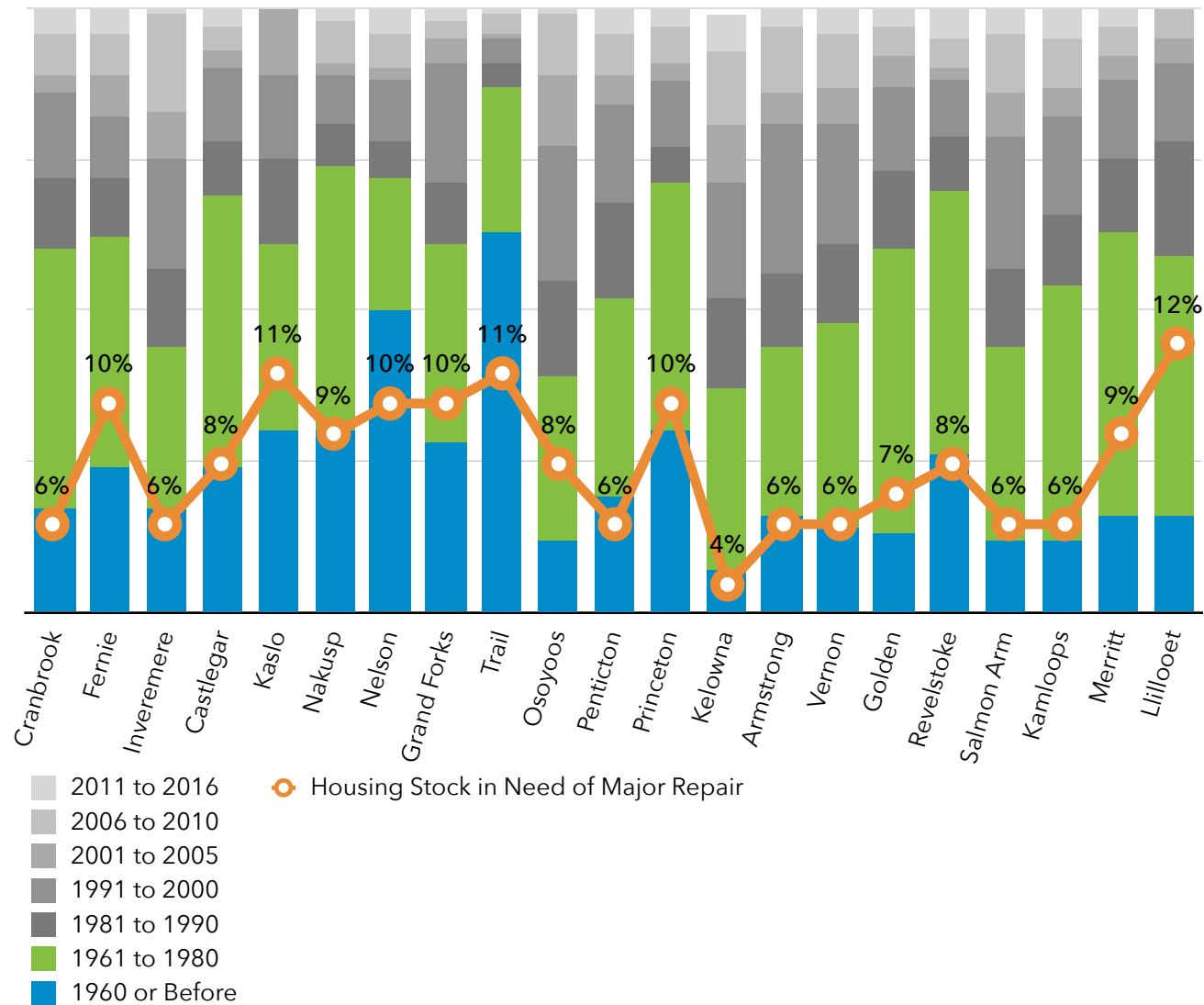
Table 2: Household Income Required to Purchase Average Resale Price of Single-Detached Dwelling¹⁰

| Community | Average Resale Price (Single Detached) | Mortgage for Average Resale Price (Includes 10% Downpayment) | Household Income Required to Secure Mortgage |
|------------------|---|---|---|
| Cranbrook | \$260,000 | \$234,000 | \$71,638 |
| Fernie | \$470,000 | \$423,000 | \$129,388 |
| Invermere | \$325,000 | \$292,500 | \$89,513 |
| Castlegar | \$285,000 | \$256,500 | \$78,513 |
| Kaslo | \$305,000 | \$274,500 | \$84,013 |
| Nakusp | \$270,000 | \$243,000 | \$74,388 |
| Nelson | \$390,000 | \$351,000 | \$107,388 |
| Grand Forks | \$250,000 | \$225,000 | \$68,888 |
| Trail | \$200,000 | \$180,000 | \$55,138 |
| Osoyoos | \$330,000 | \$297,000 | \$90,888 |
| Penticton | \$390,000 | \$351,000 | \$107,388 |
| Princeton | \$225,000 | \$202,500 | \$62,013 |
| Kelowna | \$430,000 | \$387,000 | \$118,388 |
| Armstrong | \$350,000 | \$315,000 | \$96,388 |
| Vernon | \$360,000 | \$324,000 | \$99,138 |
| Golden | \$330,000 | \$297,000 | \$90,888 |
| Revelstoke | \$380,000 | \$342,000 | \$104,638 |
| Salmon Arm | \$320,000 | \$288,000 | \$88,138 |
| Kamloops | \$350,000 | \$315,000 | \$96,388 |
| Merritt | \$250,000 | \$225,000 | \$68,888 |
| Lillooet | \$250,000 | \$225,000 | \$68,888 |

¹⁰ Average resale price of a single detached home is based on all real estate data of single-detached homes listed for sale, from older homes to new-builds, and homes ranging from good condition to homes in need of major repair

While the homeownership affordability analysis identifies communities in which there are affordable and unaffordable housing typologies, it should be noted that some of the housing stock is aging and in need of major repair. Over three quarters of the housing stock is 30 years or older in the communities of Castlegar, Nakusp, Nelson, Princeton, Revelstoke, Merritt and Lillooet. In Trail, 90% of the housing stock is more than 30 years old, and 63% of the housing stock was constructed prior to 1960.¹¹ The communities of Fernie, Kaslo, Nelson, Grand Forks, Trail, Princeton and Lillooet have over 10% of the housing stock in need of major repair, which is significantly higher than the provincial average of 6%. As such, not all “affordable” homeownership typologies are necessarily suitable or liveable to moderate income households.

Figure 4: Age of Housing Stock and Percentage of Housing in Need of Major Repair ¹²



¹¹ *Census Profiles (both rental and homeownership tenures), Statistics Canada (2016)*

¹² *Census Profiles, Statistics Canada (2016)*

Target Population and Housing Typology

Given the housing context of the B.C. Southern Interior, and based on the affordability analysis, the target population for this affordable homeownership feasibility study is **moderate-income family households**.

Within the geographic scope of this study, there are approximately 125,000 households that meet the criteria of moderate income households, with annual household incomes ranging from \$31,000 in Merritt to \$112,000 in Fernie (with an average moderate household income of \$82,000 for couple families in the region, and \$40,000 for single parent households in the region). Typologies explored as part of this analysis were selected based on their suitability to meet the needs of family households, and include single detached units, duplexes, townhouses and manufactured homes.

Low-income households should be targeted for non-market and rental housing programs, and are not suitable candidates for an affordable homeownership program. As such, low-income households have been excluded from this analysis.

While there is considerable homeownership affordability challenges for single-person households, targeting single-person households should only be considered in this study for urban markets (communities with populations greater than 30,000 people) given that the housing typologies suitable for singles, such as multi-unit condos, are more likely to be supported in these larger markets. This consideration is meant to focus the scope of a potential shared equity program, as a starting point. Over time, housing for single-person households could be potentially considered as an expansion to the affordable homeownership program.

Affordable Homeownership Models

Many moderate-income households are challenged to afford costs associated with conventional homeownership. In recent years, alternative models of homeownership have been explored to broaden the accessibility of homeownership opportunities to a more diverse set of moderate-income households. Such models could offer moderate-income households opportunities to enter the homeownership market, towards obtaining many of the same benefits experienced by households utilizing conventional homeownership models such as autonomy, security of tenure, and opportunities for equity gains.

In this section, three examples of the community land trust model are presented: Orcas Island (Washington State), Burnsville (North Carolina), and Burlington (Vermont).

- ▶ **Community Land Trusts (CLT):** A CLT is a community-based model to secure land for community and social uses, often for affordable housing. A CLT is typically a non-profit organization that is created with the mandate to acquire and “bank land” to be leased over the long term. The banked land is held in trust by the community for the purpose of building and creating access to affordable housing and is not available for other forms of development. CLTs acquire land by directly purchasing properties or by receiving donated land. The land is held by the CLT permanently so that it can always be used for affordable housing. In an affordable homeownership model that utilizes a CLT, individual households can purchase a dwelling unit and lease land from the CLT on a long-term basis, usually at below-market prices. The household retains ownership of the unit, while the CLT retains title to the underlying land. The CLT retains a long-term option to repurchase the units on the land.

This section also presents several case studies that use shared equity homeownership and restricted resale to make homeownership affordable: Whistler (BC), Burnaby (BC), Fernie (BC), Calgary (AB), Port Moody (BC), and Vancouver (BC).

- ▶ **Shared Equity Homeownership (SEH):** A SEH is a housing program that allows housing to be purchased below market value to moderate income households “just out of reach” of homeownership, or those unable to obtain a mortgage through conventional methods. Resale price restrictions are often utilized here, which limit the resale price of housing to a price below market value. The restrictions can be applied to any housing delivered by local governments, housing providers or developers as long as the restriction is registered on title before the initial sale. Restrictions can tie the unit sale price to a resale price formula, or it can be attached to a percentage below market value at the time of sale where market value is determined by an appraisal.

In cases where a CLT is delivered in conjunction with a SEH, a ground lease typically connects the homeowner to the CLT and is used to enforce the shared equity affordability controls. Eligible households purchase units at a reduced price, usually with a standard or subsidized mortgage financing, and occupy and maintain units. If a homeowner were to sell their home, a resale formula established in the lease agreement would be used to determine home price appreciation. Formulas are often tied to the Consumer Price Index (CPI) to account for inflation, but they can also use different formulas that accounts for inflation and appreciation of the asset. This resale restriction limits how much a dwelling unit can appreciate in value over time, and provides a mechanism to prevent speculation and individual households earning windfall profits on the resale of the units. The administrator's share of appreciation upon resale, along with the value of the underlying land, is used to preserve affordability to the next buyer. Thus, by capping resale price, affordability of homeownership for eligible households can be retained in perpetuity.

Case Studies

The case studies are intended to demonstrate variations and commonalities in CLT/SEH affordable homeownership models in a number of diverse settings. The case studies examine the key components of CLT/SEH programs, such as how they are administered, what households are eligible ("target population"), and program structure. The purpose of presenting these case studies is to better understand how the various models work and how they could be potentially applied to the B.C. Southern Interior.

WHISTLER, BC

Shared Equity Homeownership

Whistler is a resort municipality¹³ located in the Squamish Lillooet Regional District with over 11,000 permanent residents.¹⁴ As a tourism destination with an influx of seasonal workers, transient population, and a growing permanent population base, Whistler has experienced a number of housing affordability challenges. Workforce housing has been a particular challenge in the community given the increasing real estate prices are becoming more unaffordable to households who earn the median income.

In 1997, the municipality established the Whistler Housing Authority (WHA) to oversee affordable rental housing and homeownership programs to help address the workforce housing affordability issue. The motivation to pursue an affordable homeownership program—in addition to a rental housing program—was motivated by a desire to provide residents with a wide range of housing opportunities that could support a stable resident workforce and a vibrant and diverse community. The structure comprised of:

- **Administration:** Units are developed, administered and managed by the WHA - an independent municipally owned corporation. WHA maintains a wait list for units on a first come, first served basis.

¹³ BC communities that are designated resort municipalities have additional powers under the Local Government Act and also have access to special funding under the Resort Municipality Funding program [s.25(1)]

¹⁴ Census Profiles, Statistics Canada (2016)

- **Target population and eligibility:** Moderate-income workforce (employees who work 20 hours a week or more, or recent retirees). When a unit within the WHA portfolio becomes available for resale, the household at the top of the wait list has the first opportunity to accept a purchase agreement at the controlled resale price. Households interested in the program must complete an application form and provide documentation for income and expenses. WHA calculates gross debt servicing (GDS) on an individual case by case basis to determine eligibility.
- **Housing form:** Studio, one, two, three and four-bedroom condos; townhouses; single-detached homes. Owner-occupancy is required, and cannot be rented/sub-leased.
- **Structure:** Restricted resale and price restriction registered covenant on title, first at the time of rezoning and then transferred to each unit at the time of subdivision. Two specific covenants are used: a housing agreement to stipulate occupancy and use ("employees or retirees of Whistler"); and a right of first refusal/option to purchase to set the terms and conditions of resale.
- **Affordability calculations:** This has evolved over time and as such different units in the portfolio have different calculations. Formulas are in relation to either the Royal Bank of Canada prime lending rate, or the Greater Vancouver Housing Price Index of the Canadian Core Consumer Price Index. Affordable homeownership units are sold 30% below market value.
- **Funding sources:** Employee Restricted Housing Fund (ERHF), which generates revenue from an Employee Housing Service Charge Bylaw.¹⁵ 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 ERHF. Land is contributed to the WHA at no charge by the municipality through the Whistler 2020 Development Corporation, a corporation owned by the municipality that is responsible for delivering to market 300 acres of Crown land transferred to the municipality (initiated as part of the 2010 Olympic Games).

The WHA has created Standard Charge Terms (SCTs) which can be utilized for each affordable homeownership unit created in the program without having to be redrafted for each new project. The WHA model has been successful in large part due to strong support from municipal Council, the general public, and the business sector, which provides most of the resources for the program through the ERHF. As of 2017, the WHA has created 1,090 affordable homeownership units, as well as 851 rental units.¹⁶ This equates to a housing portfolio that consists of 54% homeownership units and 46% affordable rental units.

¹⁵ Whistler's special status as a 'resort municipality' provides them with special powers to establish the Employee Service Charge Bylaw. Resort regions can also use development cost charges towards employee housing per the Local Government Act

¹⁶ Whistler Housing Authority 2017 Business and Financial Plan, Whistler Housing Authority (2017)

- ▶ Although WHA has generated a significant number of units since its inception, and garnered widespread attention for their ability to leverage its unique powers as a resort municipality to fund an affordable homeownership program, the number of units generated through the program has not kept pace with local demand and there continues to be an unmet need.
- ▶ WHA's success is largely tied to its unique powers to generate revenue and acquire land, which cannot be replicated.
- ▶ WHA's success in part is the ability to leverage significant equity gains on the rising local real estate prices. These gains are reinvested back into the portfolio and supports new development. It is challenging to reproduce this in an unparalleled market context.

BURNABY, BC

Shared Equity Homeownership

The City of Burnaby is a large municipality with over 232,000 residents.¹⁷ Burnaby Mountain, home to Simon Fraser University's main campus and "UniverCity", has approximately 5,000 residents living on campus. UniverCity is home to affordable homeownership units delivered through the SFU Community Trust, providing housing for SFU faculty and staff with children. Affordable homeownership units are incorporated into new residential development projects on a case by case basis. The Verdant is one such project that was built in 2007, comprised of the following structure:

- **Administration:** Developed by Vancity Enterprises in partnership with SFU Community Trust - a corporation established to oversee the planning and development of UniverCity. SFU Community Trust maintains a wait list of eligible faculty and staff and administers resale agreements.
- **Target population and eligibility:** SFU faculty and staff with children provided first offer/opportunity to the housing units. Non-SFU faculty or staff may be considered in the event no SFU faculty or staff pursue available affordable homeownership unit(s).
- **Housing form:** Condos and townhouses. Owner-occupancy is required, and cannot be rented/sub-leased.
- **Structure:** Restricted resale and price restriction registered covenant on title. SFU Community Trust retains ownership of land (the "trust") and provides 99 year leases. Eligible households own the building improvements ("structure" or "housing unit") which can be resold with price restrictions.
- **Affordability calculations:** Affordable homeownership units are sold at 20% below market value.
- **Funding sources:** Leverage land holdings in Trust; lease agreements.

¹⁷ *Census Profiles, Statistics Canada (2016)*

SFU Community Trust has purchased some of the affordable homeownership units and rents these units to faculty and staff at low-end of market rates. This approach allows the university to offer rental housing as a first place of residence upon faculty/staff relocation on a temporary basis (i.e. six months to three years) prior to faculty/staff moving into permanent homeownership housing.

FERNIE, BC

Shared Equity Homeownership

The City of Fernie has over 5,000 residents,¹⁸ with a growing seasonal workforce and tourism population. The municipality, like many Kootenay communities, is experiencing a wide range of housing affordability issues. BC Housing partnered with a private developer (Parastone Developments) as well as the City of Fernie, the Columbia Basin Trust and Fernie Family Housing Society to develop an affordable housing project that incorporated affordable homeownership units, as well as rental units, in the Veneto Place project. The project was completed in 2010, and comprised of the following structure:

- **Administration:** The project is managed and administered by the Fernie Family Housing Society.
- **Target population and eligibility:** Low-to moderate-income singles, families and seniors.
- **Housing form:** Mixed-tenure multi-unit apartment (21 rental units, 24 affordable homeownership units). Owner-occupancy is required for a minimum of two years.
- **Structure:** Restricted resale and price agreements registered on title. For 12 of the units, affordability restrictions were stipulated in perpetuity; the other 12 units were restricted for a period of ten years. After two years, the units can be sold to anyone at any time (no wait list). Eligible households required to provide a 10% downpayment.
- **Affordability calculations:** Annual household income of \$67,000 or less for one-bedroom units; or \$97,000 or less for two-bedroom units.
- **Funding sources:** Low-cost constructing financing from BC Housing's CPI Program.

Several challenges were identified following the completion and occupancy of the affordable homeownership units. Sales of the affordable homeownership units were slower than expected, and the Columbia Basin Trust was required to provide bridge financing for unsold units.¹⁹ Slow sales were attributed to perceptions that resale restricted units "felt prohibitive to the market"²⁰ and were an unfamiliar concept to potential buyers. In addition, the price for market value condos compared to the affordable homeownership condos was not a large enough

¹⁸ *Census Profiles, Statistics Canada (2016)*

¹⁹ *Building Knowledge: Housing Project Profiles, BC Housing (2011)*

²⁰ *BC Housing's Affordable Homeownership Projects, Presentation, BC Housing (2017)*

gap in the Fernie market to be perceived as a significantly more affordable homeownership option. Having enough downpayment was also a challenge for potential purchasers, and a tightening of CMHC mortgage insurance rules at the time further limited the pool eligible buyers. A rent-to-own option that enabled purchasers to build a downpayment over a period of six months to a year to increase the pool of potential buyers was later introduced to clear the remaining unsold units.

CALGARY, AB

Shared Equity Homeownership

The City of Calgary is a large metropolitan city with nearly 1.4 million residents.²¹ Housing prices have steadily increased over the past decade, although have been susceptible to changes in tandem with the resource economy. In 2009, the City of Calgary established a housing authority known as Attainable Homes, which offers affordable homeownership units to moderate-income households. Attainable Homes has the following affordable homeownership structure:

- **Administration:** Units are developed, administered and managed by Attainable Homes - an independent municipally owned non-profit organization. Attainable Homes maintains a wait list for units.
- **Target population and eligibility:** Moderate-income singles, couples and families.
- **Housing form:** Condos, townhouses. Owner-occupancy is required.
- **Structure:** Restricted resale, where Attainable Homes provides a downpayment as a “gift” to eligible households with an agreement that when households sell their home in the future, they would share a portion of the home appreciation with the program to help future participants (“shared equity”). There is no minimum or maximum length of time required to own the home before selling.
- **Affordability calculations:** Annual household income of \$90,000 for households with dependent children; annual household income of \$80,000 for households with no dependent children.
- **Funding sources:** Initial start-up funding was provided by the City of Calgary and Province of Alberta (\$1 million); continued support from City of Calgary via Affordable Housing Fund; donated land; long-term equity gains.

Table 3: Attainable Homes Shared Equity Calendar ²²

| Years of Ownership | Eligible Household Share of Home’s Appreciation |
|--------------------|---|
| 0-1 year | 0% |

²¹ *Census Profiles, Statistics Canada (2016)*

²² *Shared Equity Calendar, Attainable Homes (2016)*

| | |
|------------------|-----|
| 1-2 years | 25% |
| 2-3 years | 50% |
| 3+ years | 75% |

As of 2016, 761 households entered into homeownership through Attainable Homes over its first six years of operations.²³ As a measure of success, in 2016 lenders increased the debt capacity of Attainable Homes, allowing the organization to better support longer-term projects. This has allowed Attainable Homes to purchase land on its own for development of affordable homeownership units, whereas previously affordable homeownership units were all built on City-provided land or through partnerships with private sector developers. Current sale prices for Attainable Home units range from \$189,900 for a one-bedroom apartment to \$334,045 for a 2-bedroom townhouse.

PORT MOODY, BC

Shared Equity Homeownership

"The Strand " project is another affordable homeownership project partnership between BC Housing and a private developer, Townline Ventures Ltd, located in Port Moody, B.C. - a mid-sized city of approximately 33,500 residents²⁴ in the large metropolitan region of Metro Vancouver. With anticipated occupation in summer 2018, this project incorporates affordable homeownership units with the following structure:

- **Administration:** Townline to develop, market and sell the affordable homeownership units (84 in total), as well as 9 commercial retail units.
- **Target population and eligibility:** Low-to moderate-income singles, couples and families. Townline hired a third-party to verify income and facilitate agreements with eligible households.
- **Housing form:** Multi-unit apartment condos, consisting of one and two-bedroom units. Owner-occupancy is required for a minimum of two years.
- **Structure:** Eligible households not required to provide a downpayment (the difference between market value and 10% below market value technically considered downpayment by CMHC²⁵).
- **Affordability calculations:** Annual household income of \$65,850 or less for one-bedroom units; or \$92,430 or less for two-bedroom units. Affordable homeownership units sold at 10% below market value.

²³ 2016 Annual Report, Attainable Homes Calgary Corporation (2016)

²⁴ Census Profiles, Statistics Canada (2016)

²⁵ The Strand model is still being reviewed by CMHC

- **Funding sources:** Low-cost constructing financing from BC Housing’s CPI Program, subject to 90% of units being sold via pre-sales.

VANCOUVER, BC

Shared Equity Homeownership

BC Housing partnered with a private developer, known as 138 Sequel Development, as well as FJL Housing Society to build an affordable homeownership project in Vancouver, B.C. - a city with over 630,000 residents.²⁶ Known for its exorbitant housing affordability challenges, the project aimed at making homeownership units available to eligible households in the city’s downtown. Completed in 2015, the affordable homeownership structure consisted of the following components:

- **Administration:** The affordable homeownership units are available to the broader public (no wait list), subject to eligibility and affordability calculations. The rental units were transferred to the non-profit housing society to manage.
- **Target population and eligibility:** Low-to moderate-income singles and couples.
- **Housing form:** Mixed-tenure multi-unit apartment (18 rental units, 79 affordable homeownership units).
- **Structure:** Restricted resale and price restrictions registered on title, secured for a total of two years. The developer registers a second mortgage against the property to secure the loan equal to 10% of the purchase price to make the homeownership units affordable (10% below market value), which was recognized as a downpayment by CMHC.
- **Affordability calculations:** Annual household income of \$85,000 or less. Affordable homeownership units sold at 10% below market value.
- **Funding sources:** Developer generated income from parking stalls, bike storage, finishing upgrades, and sale of commercial retail units to allow for the reduction of sale price.²⁷

Table 4: Sample Profiles from Sequel 138 Affordable Homeownership Project²⁸

| | Single / moderate-income household | Couple / moderate-income household |
|--------------------------------|------------------------------------|------------------------------------|
| Annual Household Income | \$52,000 | \$78,000 |

²⁶ *Census Profiles, Statistics Canada (2016)*

²⁷ *BC Housing’s Affordable Homeownership Projects, Presentation, BC Housing (2017)*

²⁸ *How to Buy, Sequel 138 (2017)*

| | | |
|--|-----------------|-----------------|
| Unit Sale Price | \$250,000 + GST | \$350,000 + GST |
| Household downpayment | \$0 | \$11,000 |
| Downpayment assistance (from Sequel 138 Developments) | \$25,000 | \$36,000 |
| Total downpayment | \$25,000 | \$47,000 |
| Mortgage Payment per Month | \$1,158 | \$1,560 |
| Strata Fees per Month | \$90 | \$125 |
| Property Taxes per Month | \$75 | \$100 |

SOUTHEAST, BC

Affordable Homeownership Program

Habitat for Humanity is a well established registered charity that provides affordable homeownership opportunities to low and moderate income households, with 58 Habitat for Humanity affiliates across Canada, and more than 3,000 affiliates globally. Habitat for Humanity has a Southeast B.C. Affiliate, based in Grand Forks. The Affiliate's territory extends from the Alberta border, north to include the Revelstoke area and west to include the Rock Creek area. Their affordable homeownership model is structured as follows:

- **Administration:** Habitat for Humanity administers the affordable homeownership program, from acquiring land and coordinating pre-construction and construction of homes, to selecting eligible households as well as writing and lending the mortgage to eligible households.
- **Target population and eligibility:** Low to moderate-income family households, including single mothers and blended families. Many households who enter into the Habitat for Humanity's affordable homeownership program come from subsidized housing. Eligible family households must provide 500 hours of sweat equity/community volunteer hours, and demonstrate ability to pay a mortgage. Income is reviewed and verified on an annual basis.
- **Housing form:** Single-detached homes and duplexes, including compact housing forms. Considering tiny homes in the future, as well as potentially triplexes (however concerned with strata).
- **Structure:** Habitat for Humanity builds homes at nominal costs, writes and holds the mortgage as an alternative to conventional lenders, and sells the finished home to eligible households. There is no

downpayment requirement, and mortgage payments have 0% interest. Eligible households make mortgage payments to Habitat for Humanity as well as payments on property tax, house insurance, and utilities. A term included in mortgage agreements allows Habitat for Humanity first right of refusal in the case of a sale. If the organization chooses to re-purchase the home, it will re-purchase for the same amount it was initially sold for, and then make the home available to another eligible household. If the organization chooses not to re-purchase the home, and it is subsequently sold on the open market, an equity sharing agreement is used that involves calculations for how many years the household has owned the home and how much equity has been gained. Once a household has completely paid off its mortgage, Habitat for Humanity no longer has any claim over any equity gained.

- **Affordability calculations:** Affordability is offered through 0% interest mortgage payments, zero downpayment, and mortgage-geared to income calculations (eligible households pay no more than 30% of their gross income on mortgage). Habitat for Humanity as the mortgage holder, rather than a conventional bank, has the ability to offer flexible amortization periods and can adjust to make payments affordable (i.e. 35 year amortization period).
- **Funding sources:** Habitat for Humanity mobilizes volunteers to provide sweat equity/free labour to construct homes (to offset cost of trades), acquires donated land (i.e. donated land from municipality), and corporate sponsorship (i.e. Home Depot).

Revenue generated from mortgage payments is reinvested into Habitat for Humanity's portfolio and to build more units. Habitat for Humanity indicated that one of the key challenges for implementing their affordable homeownership program is the ability to acquire land (i.e. through donation). Habitat for Humanity's registered charity status limits their affordable homeownership program within Canada Revenue Agency (CRA) rules. While the cost of the house is reduced from donations and contributions, CRA rules require Habitat for Humanity to sell the home at fair market value.

ORCAS ISLAND, WASHINGTON STATE

Community Land Trust

The San Juan Islands archipelago is located in northwest Washington State. The largest island, Orcas Island, is 57 square miles in area and has a permanent population of approximately 4,900 residents. In the 1970s and 1980s, Orcas Island experienced significant population growth for an island of its limited size, which correlated with rapid land and housing price appreciation. In response to the increasing housing affordability issues, a grassroots organization established one of the first community land trusts in western United States, known as OPAL (Of People and Land). The OPAL Community Land Trust is comprised of the following structure:

- **Administration:** Community land trust with a combination of paid staff and volunteers, with participation from leaseholders ("eligible households"). OPAL Community Land Trust maintains a wait list.

- **Target population and eligibility:** Working households (“workforce housing”) who have lived in the community for minimum of three years.
- **Housing form:** Clustered single-detached homes; acquiring/revitalizing older single-detached housing stock and rental housing; and modular factory-built homes built off-site.
- **Structure:** Restricted resale approach, where eligible households purchase an OPAL unit and sign a 99-year lease to the land. At resale, households sell the unit at a price calculated to the resale formula in the lease and must sell to another eligible household. Flexible amortization period between 33 and 38 years was offered, geared towards household income.
- **Affordability calculations:** Eligible households cannot have income and/or assets that would enable them to purchase housing through conventional methods. Affordable homeownership units sale price is determined by OPAL and set at a price that is affordable for eligible households earning 80% of the average median income.
- **Funding sources:** Over the years, different combinations of financing, loans and grants were secured to cover the cost of land, design and undertake pre-construction activities including - donated land; Washington State’s Housing Trust Fund; U.S. Department of Agriculture’s Farmer’s Home Loan Program (1% interest rate), and U.S. Department of Housing and Urban Development Community Block Grant. Mortgages were used to cover cost of construction.

Since the establishment of the community land trust in the late 1980s, OPAL has generated 103 permanently affordable homeownership units, as well as 29 affordable rental apartments, servicing a total of 132 households.

BURNSVILLE, NORTH CAROLINA

Community Land Trust

The small community of Burnsville is located in the State of North Carolina with a total population of 1,700 residents. Burnsville has very low income levels, with a median household income that is roughly 35% below the state median, and nearly a quarter of Burnsville residents live below the poverty level. At the same time, land values and the cost of living increased significantly in the early to mid 2000s. In 2007, a grassroots movement of local residents of a manufactured home park organized to establish the Burnsville Land Community Trust (BLC), largely in response to the risk of their home park being sold and the potential displacement of residents. The structure of the BLC consisted of the following:

- **Administration:** Volunteer-run non-profit community land trust managed and administered the program.
- **Target population and eligibility:** Existing residents of the mobile home park.
- **Housing form:** Manufactured home park.

- **Structure:** The BLC secured long-term use of the mobile home park land for the use of affordable housing. The improvement ("structure/unit") and the land are legally separated, and the residents own the structure/unit. Mobile home sales are restricted to the private market. BLC residents are expected to contribute equity to purchase a manufactured home, at a rate that is set by BLC, as well as monthly rent for the long-term land lease ("pad rent").
- **Affordability calculations:** Grandfathered income levels of existing residents of the mobile home park.
- **Funding sources:** Resident purchase of manufactured home park via charitable donations to the land trust, including the Catholic Campaign for Human Development, Self Development of People (Presbyterian Church) and the Mary Reynolds Babcock Foundation; the Community Re-investment Association of North Carolina (CRA-NC) 2-year \$100,000 bridge loan (at 0% interest); the BB&T Bank \$200,000 bridge loan (at 8% interest); CRA-NC permanent loan of \$189,500 (at 0% interest); and United Carolina Bank permanent loan of \$110,000 (at 6% interest).

The Burnsville CLT had significant governance issues, funding source requirement limitations (i.e short-term leases as condition of re-financing the loan), as well as misinformed interactions with existing residents. While creating a co-operatively operated CLT by locals was well intended, the program in this case was an ultimate failure.

BURLINGTON, VERMONT

Community Land Trust and Shared Equity Homeownership

Burlington is located in the State of Vermont and has a total population of approximately 42,000 residents.²⁹ The Champlain Housing Trust (CHT) was established in Burlington in the mid 1980s to address the rising housing costs and the prospect of residential displacement in various neighbourhoods throughout the city. The CHT has a large portfolio of affordable housing including affordable homeownership units that utilize a shared equity model, comprised of the following structure:

- **Administration:** The Champlain Housing Trust, a membership based non-profit organization with 90 staff, administers and manages all units within their diverse portfolio, including developing new units and acquiring existing units.
- **Target population and eligibility:** Low-to moderate-income singles, couples and families, who have completed CHT homebuyer education program and deemed "mortgage-ready" by NeighborWorks Homeownership Center of Vermont, within the urban areas of Burlington as well as the surrounding rural areas.
- **Housing form:** Mixed-tenure projects (both affordable rental and affordable homeownership); combination of new-build condos and townhouses, acquiring land / rehabilitating existing housing stock.

²⁹ US Census Bureau (2016)

- **Structure:** CHT owns land, offers ownership of structures on land through ground-lease agreements. CHT retains a preemptive option to repurchase any residential structures located on its land. State and federal funds provide downpayments of up to 20 to 30% of the units' market value in lieu of eligible households providing downpayment. At time of resale, all eligible homebuyers sell properties back to the CHT to find a new eligible household. The resale price of CHT homes is set by a formula outlined in the ground lease agreement. Households selling their structure back to the CHT are entitled to 25% of the appreciated value between the time of purchase and the time of resale. The CHT collects a fee of up to 6% of the current appraised value when a home is resold, plus a transaction fee of \$1,000. A new lease is executed every time the structure changes hands.
- **Affordability calculations:** Households earning below 100% of Area Median Income (AMI) (most of CHT's eligible households earn much less than 80% of AMI).
- **Funding sources:** Initial support (subsidies and inclusionary housing policy) provided by the City of Burlington; State of Vermont funding; Vermont Housing and Conservation Board (VHCB) investment; US federal government discretionary funds; Vermont Housing Finance Agency and the Burlington Employee Retirement System low-interest financing. CHT eligible households pay a membership fee of \$35 per month for use of the land.

The CHT has evolved and become increasingly sophisticated with its programs including a homebuyer education program and mortgage loan financing. Since the establishment of the CHT in the mid 1980s, its portfolio has expanded to 579 homes within its shared equity affordable homeownership portfolio, serving a total of over 1,000 eligible households, over \$83.7 million in assets and an annual budget of \$12.5 million.

Key Criteria for Success

Based on the case study research, the following is a list of key criteria for success in using the shared equity homeownership model:

- **Dedicated Administrator:** Nearly every case study had a dedicated administrator be it a municipally owned corporation, a trust, or a non-profit society. Models that were delivered through the private market may experience challenges with the resale after the initial purchaser given there is no continued administrative support.
- **Restricted Covenants:** Successful case studies in BC incorporated restricted resale and housing agreements registered on title. This mechanism allows for control over equity gain shares and ensuring the units are matched with the intended target population.
- **Diverse Portfolio:** Case studies that had a mix of housing forms and typologies provide options to the target audience, and the flexibility to move program participants within the portfolio as their circumstances

change (i.e. growing family, downsizing, etc.). Case studies that combined opportunities for new-build projects as well as acquisition of existing units demonstrated flexibility and portfolio diversity.

- **Construction Techniques:** Utilizing innovative, modern and cost-saving construction techniques, such as modular housing, were presented as a best practice in the case studies.
- **Blended Projects:** New successful projects tend to be mixed-tenure. For example, affordable homeownership units were incorporated into market development projects. Many of the projects also incorporate rental housing units, further providing flexibility and diversity as well as opportunity for partnerships with the private sector, government (i.e. BC Housing), or non-profit housing society.
- **Downpayment Gifts:** For projects involving a partnership with private developers, the below market value (i.e. 10% below market value) is considered a downpayment by CMHC and is attributed to successfully making units affordable moderate-income first-time homebuyers.
- **Relative to Local Real Estate Market:** The below market value is not the same in every case study, however is consistently relative and suitable to the local real estate market.
- **Start-up Capital:** Many of the successful case studies were initially supported by significant capital investments, such as donated land, one-time grants, and direct financial contributions from a local government, provincial/state government or philanthropic agency.
- **Long-term Sustainable Funding:** Successful case studies leveraged the initial start-up capital and also secured long-term sustainable funding. This included grants, committed annual contributions from local, regional/county or provincial/state government, affordable housing reserve fund contributions, and a lender.

Evaluation of Risk

The selected case studies in this report provide a wide range of examples where shared equity homeownership and community land trusts have experienced success across a spectrum. In addition to the case study research, an additional high-level scan was undertaken to identify any confirming or disconfirming information on the risk inherent to delivering a shared equity homeownership model in small and rural communities. This research uncovered the following:

- CMHC describes shared equity as an approach that works best in rising or stable housing markets; and indicates that the risk of periodic price declines requires proponents to have a long-term perspective.³⁰

³⁰ *Shared Equity, Advantages and Disadvantages, CMHC (2000)*

- The Joint Centre for Housing Studies suggests that shared equity homeownership is better introduced in strong housing markets or in gentrifying neighbourhoods within otherwise weak markets.³¹
- The Australian Housing and Urban Research Institute's report on housing markets and policy responses (2010) suggests that shared equity homeownership most benefits moderate-income households in high cost regions.³²
- The Joseph Rowntree Foundation suggests that secondary owners (i.e. institutions, governments) take on both equity gains and losses when involved in shared equity homeownership programs. This report suggests that shared equity homeownership programs can address the risk of housing market volatility because some of the impact of price change can be transferred to the secondary owner. This study also suggests that this approach reduces a participating households' holding of specific risk.³³
- The Joseph Rowntree Foundation also suggests that shared equity homeownership risks can be due to either potentially 'thin' resale market, or because of more general house-price volatility. It also states that, *"the extent to which this failure [of shared equity homeownership programs] is about scale, consumer attitudes and/or inherent market failures is unclear."*³⁴ It goes on to suggest that the risk should be transferred to the administrator to reduce the risk placed on the participating household.
- In addition, the Joseph Rowntree Foundation suggests that shared equity homeownership programs reduce the risk from interest rate changes by reducing the size of the traditional mortgage.
- The Urban Institute suggests that shared equity homeownership may not be an attractive alternative in markets where housing prices do not appreciate or where market housing is relatively affordable to low and moderate income households.³⁵
- The Australia Housing and Urban Research Institute reported that the viability and attractiveness of shared equity initiatives are shaped by housing market contexts.³⁶ It further states that house price growth (or decline) is relevant to both individual equity and subsidy retention models, but more so where shared appreciation arrangements underpin the relationship between administrator and participating households. It also states that these programs, when implemented in markets with steady growth, is advantageous to

³¹ *Filling the Void Between Homeownership and Rental Housing: A Case for Expanding the Use of Shared Equity Homeownership* (2013)

³² *Intermediate Housing Markets and Effective Policy Responses*, Australian Housing and Urban Research Institute (2010)

³³ *Shared ownership and shared equity: reducing the risks of home-ownership?* Joseph Rowntree Foundation (2010)

³⁴ *Shared ownership and shared equity: reducing the risks of home-ownership?* Joseph Rowntree Foundation (2010)

³⁵ *Affordable Homeownership – An Evaluation of Shared Equity Programs*, Urban Institute (2017)

³⁶ *Innovative Financing for Home Ownership: The Potential for Shared Equity Initiatives in Australia* (2008)

the administrator who benefits from proportional share of gains which can be reinvested into affordable housing projects. The report suggests that the administrator takes 'the hit' should prices fall. It suggests that from a lenders perspective, these programs work better in well-performing markets compared to flat or declining markets.

- The Joseph Rowntree Foundation suggests that shared equity homeownership programs should utilize a risk-sharing instrument to limit the impact of market volatility, and in this way transfer part of the risk to the administrator.
- Shelterforce, a non-profit community development publication, described some ideas on why shared equity homeownership is beneficial to communities that experience weak housing markets, including providing a safety net for families and generating stability in communities. It also suggests that weak markets are not weak forever, referencing specific neighbourhoods in major cities such as Philadelphia.³⁷

Generally, the research on potential risk for small and rural communities, like those found within the geographic scope of this study, is limited. Many of the examples come from much larger markets and are international. As such, it is inconclusive that delivering such a program in these small and rural communities is risky or not risky. It is the consultants' perspective, based on historic market conditions and judgement, that there is an element of risk for both the administrator and participating households engaged in a shared equity homeownership relationship in small and rural communities.

³⁷ *What is the Point of Shared Equity Homeownership in Weak Market Areas? Shelterforce*

Financial Analysis of Affordable Homeownership Scenarios

The purpose of this section was to create high-level cost estimates for construction on a variety of housing typologies, and to determine the household incomes required to be able to purchase those housing units. This analysis provides a high-level financial indication that a community land trust or a land lease model could have with respect to making homeownership more affordable to moderate-income households.

Background Context

Currently in B.C., the majority of affordable housing across the province is delivered through two key approaches:

1. The housing sector, largely involving non-profit housing societies that operate affordable rental or non-market housing and typically obtain capital contribution and subsidized financing from senior levels of government such as BC Housing. Often, but not all the time, a non-profit housing society acquires land for free either donated from a municipality, the province, or through private donation. While models to housing delivery is changing and new approaches are being tested all the time, non-profit housing societies typically receive a combination of grants and/or low interest mortgage financing to construct their housing projects. Housing agreements with project partners, such as BC Housing, can sometimes include a subsidy to offset the mortgage costs. Non-profit housing societies can also generate rent revenue from their units to help sustain operations. Increasingly, non-profit housing societies are incorporating market rental units to increase the overall rent revenue to achieve financial sustainability.
2. A private developer, that receives an incentive from local government (i.e. density bonuses) in exchange for including affordable housing within their new project development such as market rental housing, non-market housing, or housing for persons with disabilities. This is known as inclusionary zoning. As briefly noted in case study examples in Fernie and SFU, this type of partnership can include affordable homeownership units within a private developer project (i.e. homeownership units offered 10% below market value). While these affordable homeownership units typically have some form of restricted resale registered as a covenant on title, some of these restrictions are not secured in perpetuity meaning that after a defined period of time (i.e. ten years) the restriction is removed and units can be sold at market value. Such examples offer only time-limited affordable homeownership opportunities.

One of the preferred forms of affordable housing typologies is multi-unit projects that range from low to medium and high density, depending on the local context. Multi-unit projects are an effective way to deliver affordable housing because it is a cost effective use of land. This is particularly important in communities with very high land values.

The remainder of this section focuses on the opportunity to provide affordable homeownership through a shared equity homeownership model.

Assumptions + Scenario Analysis

Housing construction costs and housing resale values vary significantly between communities in the B.C. Southern Interior. In general, the financial analysis undertaken in this study represents a very high-level analysis of a broad range of communities and markets. It is 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 affordable homeownership options 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 resale values of existing homes and median household income levels. Given the significant variations in individual housing markets, site specific feasibility studies and business plans are required to fully validate opportunities and quantify more accurate financial projections for each housing type in each market.

For this study, three scenarios were developed and examined:

- **SCENARIO 1 (Base Case)** – under this scenario, an administrator would provide housing “at cost” with no profit margin built in. The total housing costs under this scenario includes the administrator having to purchase the land. Under this scenario, the housing purchaser (“participating household”) is responsible for contributing a 10% downpayment and \$1,000 for closing costs. The participating household’s downpayment and mortgage must cover the total individual housing unit project costs.
- **SCENARIO 2 (Land Contribution)** – under this scenario, it is assumed that land is provided to the administrator at no cost (donated or purchased with donations). All other construction and financing costs remain the same as the Base Case Scenario. Under this scenario, the participating household contributes a 10% downpayment and must cover the total individual housing unit 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 earning the median household income to qualify for a mortgage. Under this scenario, the cumulative total of the individual participating households downpayments and mortgage payments must collectively cover the total project costs per housing unit (while keeping total housing costs to less than 32% of gross household income).

- ▶ **Large Markets:** Urban communities with a population greater than 30,000 people
- ▶ **Medium Markets:** Mid-sized communities with a population between 10,000 to 30,000 people
- ▶ **Small Markets:** Small and rural communities with less than 10,000 people

Summary of Financial Analysis

On the whole, initial findings suggest that an affordable homeownership project delivered through a shared equity model has limited viability to be implemented within the B.C. Southern Interior markets. The most promising scenarios are found in large urban markets, as demonstrated in the following tables.

Generally, the removal of the land purchase costs (i.e. Scenarios 2 and 3) from the housing unit price significantly increases the affordability of the housing project. This approach further supports utilizing a Community Land Trusts and land leases to help make affordable homeownership more viable.

Additional sources of funding such as grants (i.e. Scenario 3) could further reduce the purchase price to help make affordable homeownership more viable.

The following tables provide a summary of the detailed financial proformas for the large size community markets. The financial analysis was based on new construction costs estimates but the last row of each table illustrates the average resale value of that housing typology in the large community markets for comparison purposes.

Table 5: Financial Analysis Summary for Single Detached House, Large Market³⁸

| Single Detached House | Scenario 1 | Scenario 2 | Scenario 3 |
|---|------------|------------|------------|
| # of units/site | 1 | 1 | 1 |
| Gross Buildable Area (sq. feet) | 1,500 | 1,500 | 1,500 |
| Total Project Costs | \$502,855 | \$311,134 | \$311,134 |
| Total Cost/Unit | \$502,855 | \$311,134 | \$311,134 |
| Cost/Sq Ft. | \$335 | \$207 | \$207 |
| Purchaser's Down Payment (10%) | \$50,285 | \$31,113 | \$31,113 |
| Purchaser's Mortgage | \$452,569 | \$280,021 | \$191,821 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$88,200 |

³⁸ Note: The participating households downpayment + mortgage + additional funding sources = total cost/unit

| | | | |
|--|-----------|-----------|-----------|
| Household Income Required for Mortgage | \$96,645 | \$61,263 | \$41,992 |
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |
| Average Resale price of existing housing of this type | \$383,000 | \$383,000 | \$383,000 |

Table 6: Financial Analysis Summary for Duplex, Large Market

| Duplex | Scenario 1 | Scenario 2 | Scenario 3 |
|--|-------------------|-------------------|-------------------|
| # of units/site | 2 | 2 | 2 |
| Gross Buildable Area (sq. feet) | 3,000 | 3,000 | 3,000 |
| Total Project Costs | \$665,543 | \$473,823 | \$473,823 |
| Total Cost/Unit | \$332,771 | \$236,911 | \$236,911 |
| Cost/Sq Ft. | \$222 | \$158 | \$158 |
| Purchaser's Down Payment (10%) | \$33,277 | \$23,691 | \$23,691 |
| Purchaser's mortgage | \$299,494 | \$213,220 | \$191,620 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$21,600 |
| Household Income Required for Mortgage | \$65,256 | \$47,565 | \$41,952 |

| | | | |
|--|-----------|-----------|-----------|
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |
| Average Resale price of existing housing of this type | \$350,000 | \$350,000 | \$350,000 |

Table 7: Financial Analysis Summary for Townhouse, Large Market

| Townhouse | Scenario 1 | Scenario 2 | Scenario 3 |
|--|-------------------|-------------------|-------------------|
| # of units/site | 4 | 4 | 4 |
| Gross Buildable Area (sq. feet) | 6,000 | 6,000 | 6,000 |
| Total Project Costs | \$1,072,537 | \$853,429 | \$853,429 |
| Cost/Unit | \$268,134 | \$213,357 | \$213,357 |
| Cost/Sq Ft. | \$179 | \$142 | \$142 |
| Purchaser's Down Payment | \$26,813 | \$21,336 | \$21,336 |
| Purchaser's mortgage | \$241,321 | \$192,021 | \$192,021 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$450 |
| Household Income Required for Mortgage | \$53,327 | \$43,218 | \$41,942 |
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |

| | | | |
|--|-----------|-----------|-----------|
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |
| Average Resale price of existing housing of this type | \$306,000 | \$306,000 | \$306,000 |

Table 8: Financial Analysis Summary for Apartment, Large Market

| Apartment | Scenario 1 | Scenario 2 | Scenario 3 |
|--|-------------------|-------------------|-------------------|
| # of units/site | 32 | 32 | 32 |
| Gross Buildable Area (sq. feet) | 22,588 | 22,588 | 22,588 |
| Total Project Costs | \$5,062,830 | \$4,241,172 | \$4,241,172 |
| Total Cost/Unit | \$158,213 | \$132,537 | \$132,537 |
| Cost/Sq Ft. | \$224 | \$188 | \$188 |
| Purchaser's Down Payment (10%) | \$15,821 | \$13,254 | \$13,254 |
| Purchaser's mortgage | \$142,392 | \$119,283 | \$117,123 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$2,160 |
| Household Income Required for Mortgage | \$34,403 | \$30,113 | \$28,988 |
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |

| | | | |
|--|-----------|-----------|-----------|
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |
| Average Resale price of existing housing of this type | \$140,000 | \$140,000 | \$140,000 |

Table 9: Financial Analysis Summary for Manufactured Home, Large Market

| Manufactured Home (family) | Scenario 1 | Scenario 2 | Scenario 3 |
|--|-------------------|-------------------|-------------------|
| # of units/site | 3 | 3 | 3 |
| Gross Buildable Area (sq. feet) | 3000 | 3000 | 3000 |
| Total Project Costs | \$605,158 | \$422,567 | \$422,567 |
| Cost/Unit | \$201,719 | \$140,856 | \$140,856 |
| Cost/Sq Ft. | \$202 | \$141 | \$141 |
| Purchaser's Down Payment (10%) | \$20,172 | \$14,086 | \$14,086 |
| Purchaser's mortgage | \$181,547 | \$126,770 | \$126,770 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$0 |
| Household Income Required for Mortgage | \$37,946 | \$27,753 | \$27,753 |
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |

| | | | |
|--|-----------|-----------|-----------|
| Average Resale price of existing housing of this type | \$201,719 | \$140,856 | \$140,856 |
|--|-----------|-----------|-----------|

Table 10: Financial Analysis Summary for Manufactured Home (Single), Large Market

| Manufactured Home (Single) | Scenario 1 | Scenario 2 | Scenario 3 |
|--|-------------------|-------------------|-------------------|
| # of units/site | 4 | 4 | 4 |
| Gross Buildable Area (sq. feet) | 2,000 | 2,000 | 2,000 |
| Total Project Costs | \$485,169 | \$302,579 | \$302,579 |
| Cost/Unit | \$121,292 | \$75,645 | \$75,645 |
| Total Cost/Sq Ft. | \$243 | \$151 | \$151 |
| Purchaser's Down Payment (10%) | \$12,129 | \$7,565 | \$7,565 |
| Purchaser's mortgage | \$109,163 | \$68,080 | \$68,080 |
| Additional Housing Funding Required (Scenario 3 only) | N/A | N/A | \$0 |
| Household Income Required for Mortgage | \$24,484 | \$16,857 | \$16,857 |
| Median Household Income (2 Parent Household) | \$86,000 | \$86,000 | \$86,000 |
| Median Household Income (Single Parent Household) | \$42,000 | \$42,000 | \$42,000 |
| Median Income (Single Individual) | \$29,000 | \$29,000 | \$29,000 |
| Average Resale price of existing housing of this type | \$121,292 | \$75,645 | \$75,645 |

Preliminary Findings

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 support a potential affordable homeownership program.

First, the financial analysis demonstrates and helps to quantify the significant impact that removing land values from housing purchase prices has on a potential affordable homeownership program (i.e. difference between Scenarios 1 and 2). While in the United States this is typically achieved through community land trusts, the experience in Whistler in B.C. and other case studies demonstrates that a separate legal community land trust organization is not necessarily required. There are other legal mechanisms, such as resale restrictions, that can be utilized to ensure that an affordable homeownership unit remains affordable in perpetuity.

Second, the financial analysis scenarios confirms that affordable homeownership is more achievable with low to medium density multi-unit projects (i.e. duplexes, townhouses, or apartments) compared to single detached housing forms. The analysis indicates that the administering organization will have a greater return on investment from increasing the scale of the project size. As the scale of the project size increases, the equity share could be adjusted so that there is more benefit provided to the participating households (i.e. 70/30 split versus 50/50 split). A key challenge of increasing project scale is ensuring the market can support and absorb the number of new units, especially in small and medium market communities.

Third, the financial analysis demonstrates that a CLT/land lease and/or shared equity homeownership model in conjunction with removing land from the purchase price provides an opportunity for affordable homeownership for families earning between \$42,000 to \$62,000 household income with either no or very limited additional funding sources such as grants. Based on the high level financial analysis, it may be feasible for moderate income family households to afford the mortgage required, who may otherwise not be able to afford homeownership units available in the private market. These assumptions will need to be confirmed by a site specific feasibility study.

ACQUIRING EXISTING HOUSING UNITS

As identified in the case study section of this report, some organizations, such as OPAL CLT, have successfully acquired existing housing into their affordable homeownership portfolio. Purchasing existing units could be an option for an administering organization when acquiring and utilizing existing units towards a shared equity homeownership program. There are a number of assumptions that cannot be quantified for an analysis because there are many possibilities and potential combinations of assumptions, such as age of building, building condition, potential renovation/need for major repairs, etc. It is likely that acquiring existing units will mirror the outcomes of new build construction scenarios per market size as described in previous scenarios.

The financial analysis is based on new construction costs and then the sale price to a buyer. However, the financial implications (mortgage) 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 and affordable relative to their household income.

There are, however, different financial implications that an administrator 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 is undertaken to ensure there are no significant 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 successfully incorporated existing housing stock into their affordable housing inventory and acquiring existing units could very well be considered for the B.C. Southern Interior.³⁹

COMMUNITY SCALE

The financial summary tables presented previously outline the high-level analysis and potential to deliver a shared equity homeownership project in large market communities. In addition to this, there are observations that can be made about delivering this type of affordable homeownership program in large market communities versus smaller market communities:

- Although the upfront equity and land costs in large urban markets are higher compared to medium and small markets, the long-term potential equity gains in large markets makes a shared equity homeownership program more viable as the total amount of equity that can be shared between the administering organization and the target population is greater over the long term, and may be adequate to fulfill the objectives of such program (i. equity gains for target population and possibly enough equity for household to move into market homeownership; ii., adequate return on investment for administrator to sustain operations and potentially reinvest into portfolio and expand program).
- Although the upfront equity and land costs are initially more affordable in small and medium sized markets, the long-term potential equity gains in these communities are estimated to be minimal, even in high growth scenarios. The potential equity gains over the long term are not expected to be significant enough to generate a return on investment for the administrator to sustain operations or reinvest into a portfolio, and equity gains are not expected to be substantial enough to suggest that the target population would benefit in the long-term from such a program.

³⁹ *Creating Community: Providing Affordable Housing on the San Juan Islands, SIBAC, n.d.*

That said, there is limited research, case studies and evaluation studies on shared equity homeownership in small and rural communities to confirm or disconfirm the risk inherent to delivering a shared equity homeownership program in small and rural communities within the geographic scope of this study (see Evaluation of Risk on Page 27).

Strategic Partnerships

In this section, potential opportunities for strategic partnerships have been identified that may facilitate the establishment of a shared equity homeownership program in the B.C. Southern Interior. Conversations with organizations and groups identified in this section would be useful in gauging potential interest in supporting a shared equity homeownership project. Input from potential strategic partners could also be helpful in refining the approach and scope of an affordable homeownership program, as well as identifying sources of revenue to support a program.

- **BC Housing:** As a potential lender, consider engaging with BC Housing to see if there is interest in supporting the implementation of a shared equity homeownership program in the B.C. Southern Interior, such as low-cost construction financing provided in the Fernie and Port Moody case studies. The advantage of such a partnership can help reduce the upfront capital contributions of a new housing project, lowering the mortgage, and as a result reducing the overall price and making the housing unit more affordable.
 - * In addition, BC Housing is a major agency for housing provision in the Province and has a wealth of experience of all forms of housing including affordable homeownership. They have undertaken a number of strategic partnerships with a variety of groups, including the Columbia Basin Trust which covers a large area of B.C. that overlaps with the geographic scope of the BCRC. In addition, BC Housing has recently established the Housing Hub and is exploring ways to facilitate affordable homeownership through partnership initiatives with developers, local governments and non-profit organizations. Reviewing the initiatives of the BCRC with BC Housing is strongly recommended.
- **Canadian Mortgage and Housing Corporation:** As a potential insurer, consider engaging with CMHC to see if there is interest in supporting the implementation of a shared equity homeownership program in the B.C. Southern Interior. In particular, discuss the barrier of a required downpayment for first-time homebuyers. The advantage of this partnership would be to reduce any potential barriers for first-time homebuyers who may not have enough savings to contribute to a shared equity arrangement, or who do not have other means/family financial support to contribute to a shared equity arrangement.
- **Private Lenders:** The BCRC may wish to discuss this opportunity and potential partnerships with private lenders including major banks and credit unions, such as Vancity which is an innovative lender. The advantage of this partnership could be identifying creative approaches to financing and making projects more financially viable.
- **Non-Profit Housing Providers:** Consider engaging in dialogue with local non-profit housing providers to see if there is interest in complementing their established portfolios with an affordable homeownership component. The advantage of this partnership is to gauge their level of interest in potentially administering a shared equity homeownership program. An existing non-profit organization may already have the

organizational structure and capacity to administer a program. Comparatively, creating a new non-profit organization to administer a shared equity homeownership program would take time and resources to establish.

- ✱ In addition, consider presenting the findings from this study at the annual BCHPHA Conference to showcase the shared equity homeownership opportunity to a large audience that may foster collaboration and potential partnerships.
- **Local Governments:** Consider engaging in dialogue with local governments such as municipalities and regional districts to see if there is interest in supporting affordable homeownership in their respective communities, including potential financial supports (such as grants) or land contributions. Also consider engaging with local governments to discuss the various tools and policies that they could employ to support affordable homeownership in their respective communities such as land use (i.e. encouraging and incentivize compact lots, infill housing, and low to medium density multi-unit projects such as triplexes, fourplexes, townhouses and apartments. The advantage of this type of partnership would be that it could lead to increasing the housing typology options that could be built or acquired by a shared equity homeownership administration. More housing options are also flexible to a range of household types such as families.
- **Philanthropic Funders/Foundations:** Consider engaging in dialogue with local philanthropic funders or foundations to see if there is interest in supporting a shared equity homeownership program, particularly the upfront costs associated with getting off the ground (i.e. grants). Ideally, securing long-term funding would provide better certainty and flexibility to implement the shared equity homeownership program.

Summary

Key housing indicators demonstrate that there is a growing gap between median household incomes and average resale home values in the B.C. Southern Interior, creating challenges for moderate-income households to enter into the homeownership market through conventional methods.

The housing sector and various levels of government have responded to housing issues by supporting and increasing the supply of purpose-built rental and non-market housing. This response is serving a wide range of households in need and prioritizes low-income and vulnerable populations – a very important component of the housing continuum.

While there continues to be an effort to respond to meeting the needs of low-income and vulnerable populations, there is a population segment – moderate-income family households (earning between \$42,000 to \$62,000 annually) – that struggle with affordable housing but neither qualify for subsidized rental housing nor have enough savings for a downpayment or earn enough income to become a first-time homebuyer. Some of the repercussions of this issue is the challenge to recruit and retain workers to the B.C. Southern Interior.

One tool that could potentially address the need of moderate-income family households aspiring to enter into homeownership is through a shared equity homeownership program. The examples from case studies demonstrate that shared equity homeownership, combined with a community land trust, can be successful under the right conditions and address the local housing needs of the moderate-income workforce. The high-level financial analysis suggests that there is limited viability of a shared equity homeownership program in large community markets, and is subject to site specific feasibility studies.

The participating households can benefit from a shared equity homeownership program in a number of ways, including the opportunity to build some personal financial equity should the market be stable or experience growth.

Key Challenges

1. Current government funding and the non-profit housing sector have focused their efforts on households in greatest need for affordable housing including persons experiencing homelessness and low-income seniors and families. Many non-profit housing societies do not have the organizational mandate to serve moderate-income households or deliver/operate affordable homeownership units. As such, there may be limited opportunities for non-profit housing societies to be involved in a shared equity homeownership program however more engagement is needed to see if potential partnerships are possible.

2. Research indicates that there is a high demand for affordable housing in communities within the Southern Interior of B.C. and, as a result, there is significant competition of the limited municipally-owned and provincially-owned lands available for affordable housing projects. Given that *rental* housing units for low and moderate-income households are often prioritized over affordable homeownership units, it may be challenging to acquire land for a dedicated shared equity homeownership program.
3. Land and housing prices can fluctuate considerably year over year in both urban and rural markets. Interest rates also change over time, households' needs change over time, and households' individual financial circumstances can change drastically with the loss of employment. As a result, there is inherent risk of situations where the mortgage value could become greater than the property value and/or that a household can no longer afford to pay their mortgage if one or more of these situations occur. An administrator for a shared equity homeownership program, and participating households, need to be fully aware of this potential risk with a clear protocol to address the issue should it happen.
4. For the purpose of this study, a 10% downpayment from the participating household was included as assumption in the financial models in order for a third party external mortgage provider to be possible. However, the 10% downpayment requirement may be a barrier for some moderate-income households to participate in a shared equity homeownership program. There may be opportunities for the administrator to find creative ways to offset the 10% downpayment requirement, such as securing grants.

Next Steps

As described in this report, the financial analysis undertaken in this study is high-level and is the starting point in which to further explore an affordable homeownership program in the B.C. Southern Interior. There are tools available in B.C. to support such a program, such as restricting resale prices by way of a covenant that is registered on title.

The high-level financial analysis also demonstrates that a land lease and/or shared equity homeownership model could be viable in B.C., and there are successful case studies that are examples of what is possible. Implementing a shared equity homeownership model requires significant organizational capacity and affordable housing development and management expertise. To further explore this model in the B.C. Southern Interior would likely require the involvement of a non-profit organization and potentially other partners.

Should a suitable non-profit organization express interest in having a role or administering a shared equity homeownership program, the next step would be to complete a site-specific feasibility study and business plan that would take into account local land and housing prices, site preparation costs, construction costs, as well as construction loan and mortgage interest rates.

Resources identified in Appendix C provide further information on legal and policy approaches to implementing a shared equity homeownership model.

APPENDIX A

Affordability Tables

AFFORDABILITY TABLES

Households pursuing homeownership require a mortgage and must be qualified by a banking institution or a mortgage broker to obtain a mortgage. Basic home purchasing assumptions are made in order to determine the maximum purchase price and maximum amount that households can borrow. For the purpose of this study, assumptions were based upon:

- Gross Debt Service (GDS) Ratio at 32% (entire monthly debt, such as car loans and credit card payments, including the potential monthly mortgage payment, should be no more than 32% of gross monthly income). This analysis assumes that households have no other debt and can maximize GDS entirely for mortgage debt.
- 5-year fixed rate (semi-annual) at 3.55%.
- Minimum downpayment of 10%.
- Amortization period of 25 years.
- Monthly maintenance fees at \$200, property taxes at \$250, and utilities/heating at \$100. These are estimates and are assumed to vary by community and property type.

The following tables demonstrate the maximum purchase price that households can afford (highlighted in green) based on the above borrowing assumptions and the median household income^{40, 41}, by community. The maximum purchase price that households can afford are compared to the average resale values of detached, duplex, townhouse, apartment and manufactured homes. Cells highlighted in orange indicate that the average resale values are unaffordable to moderate-income earners who live in that respective community.

Maximum affordable purchase price

Indicates unaffordable typology

DP

Means "Downpayment"

⁴⁰ Taxfiler Income, Statistics Canada (2015)

⁴¹ For the purposes of this study, median household incomes represent "moderate-income households"

Table 11: Summary Tables of Homeownership Affordability - Couple Households

| | Median Household Income | Purchase Price with 10% Down-payment | Average Resale Price - Single Detached | Average Resale Price - Duplex | Average Resale Price - Townhouse | Average Resale Price - Apartment | Average Resale Price - Manufact-ured |
|--|-------------------------|--------------------------------------|--|-------------------------------|----------------------------------|----------------------------------|--------------------------------------|
| Regional District of East Kootenay | | | | | | | |
| Cranbrook | \$88,403 | \$400,118 | \$260,000 DP \$26,000 | \$220,000 DP \$22,000 | \$200,000 DP \$20,000 | - | \$115,000 DP \$11,500 |
| Fernie | \$112,394 | \$541,742 | \$470,000 DP 47,000 | \$440,000 DP \$44,000 | \$330,000 DP \$33,000 | - | \$175,000 DP \$17,500 |
| Invermere | \$91,076 | \$415,898 | \$325,000 DP \$32,500 | \$230,000 DP \$23,000 | \$335,000 DP \$33,500 | - | \$120,000 DP \$17,500 |
| Regional District of Central Kootenay | | | | | | | |
| Castlegar | \$90,660 | \$413,440 | \$285,000 DP \$28,500 | \$280,000 DP \$28,000 | \$270,000 DP \$27,000 | - | \$75,000 DP \$7,500 |
| Kaslo | \$64,150 | \$256,943 | \$305,000 DP \$30,500 | \$200,000 DP \$20,000 | - | - | \$180,000 DP \$18,000 |
| Nakusp | \$73,303 | \$310,978 | \$270,000 DP \$27,000 | \$150,000 DP \$15,000 | \$350,000 DP \$35,000 | - | \$70,000 DP \$7,000 |

| | | | | | | | |
|---------------|----------|------------------|--------------------------|--------------------------|---------------------------------|---|------------------------|
| Nelson | \$81,167 | \$357,398 | \$390,000 DP \$39,000 | \$310,000 DP \$31,000 | \$350,000 DP \$35,000 | - | \$75,000 DP \$7,500 |
|---------------|----------|------------------|--------------------------|--------------------------|---------------------------------|---|------------------------|

Kootenay Boundary Regional District

| | | | | | | | |
|--------------------|----------|------------------|--------------------------|--------------------------|--------------------------|---|------------------------|
| Grand Forks | \$67,511 | \$276,785 | \$250,000 DP \$25,000 | - | \$150,000 DP \$15,000 | - | \$63,000 DP \$6,300 |
| Trail | \$85,543 | \$383,235 | \$200,000 DP \$20,000 | \$300,000 DP \$30,000 | \$320,000 DP \$32,000 | - | \$80,000 DP \$8,000 |

Okanagan Similkameen Regional District

| | | | | | | | |
|-----------|----------|------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| Osoyoos | \$67,686 | \$277,819 | \$330,000 DP \$33,000 | \$310,000 DP \$31,000 | \$250,000 DP \$25,000 | - | \$180,000 DP \$18,000 |
| Penticton | \$76,013 | \$326,976 | \$390,000 DP \$39,000 | \$340,000 DP \$34,000 | \$295,000 DP \$29,500 | \$130,000 DP \$13,000 | \$140,000 DP \$14,000 |
| Princeton | \$75,940 | \$326,543 | \$225,000 DP \$22,500 | \$280,000 DP \$28,000 | \$180,000 DP \$18,000 | - | \$90,000 DP \$9,000 |

Central Okanagan Regional District

| | | | | | | | |
|---------|----------|------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
| Kelowna | \$85,209 | \$381,261 | \$430,000 DP \$43,000 | \$400,000 DP \$40,000 | \$350,000 DP \$35,000 | \$175,000 DP \$17,500 | \$140,000 DP \$14,000 |
|---------|----------|------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|

North Okanagan Regional District

| | | | | | | | |
|-----------|----------|------------------|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Armstrong | \$79,430 | \$347,146 | \$350,000 DP \$35,000 | \$320,000 DP \$32,000 | \$320,000 DP \$32,000 | - | \$125,000 DP \$12,500 |
| Vernon | \$84,434 | \$376,686 | \$360,000 DP \$36,000 | \$350,000 DP \$35,000 | \$300,000 DP \$30,000 | \$130,000 DP \$13,000 | \$130,000 DP \$13,000 |

Columbia Shuswap Regional District

| | | | | | | | |
|------------|----------|------------------|---------------------------------|---------------------------------|---------------------------------|---|---------------------------------|
| Golden | \$94,987 | \$438,985 | \$330,000 <i>DP \$33,000</i> | \$250,000 <i>DP \$25,000</i> | \$300,000 <i>DP \$30,000</i> | - | \$80,000 <i>DP \$8,000</i> |
| Revelstoke | \$94,615 | \$436,788 | \$380,000 <i>DP \$38,000</i> | \$280,000 <i>DP \$28,000</i> | \$420,000 <i>DP \$42,000</i> | - | \$170,000 <i>DP \$17,000</i> |
| Salmon Arm | \$80,080 | \$350,983 | \$320,000 <i>DP \$32,000</i> | \$250,000 <i>DP \$25,000</i> | \$280,000 <i>DP \$28,000</i> | - | \$130,000 <i>DP \$13,000</i> |

Thompson Nicola Regional District

| | | | | | | | |
|----------|----------|------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Kamloops | \$99,781 | \$467,287 | \$350,000 <i>DP \$35,000</i> | \$300,000 <i>DP \$30,000</i> | \$280,000 <i>DP \$28,000</i> | \$120,000 <i>DP \$12,000</i> | \$115,000 <i>DP \$11,500</i> |
| Merritt | \$85,643 | \$383,825 | \$250,000 <i>DP \$25,000</i> | \$180,000 <i>DP \$18,000</i> | \$240,000 <i>DP \$24,000</i> | - | \$80,000 <i>DP \$8,000</i> |

Squamish Lillooet Regional District

| | | | | | | | |
|----------|----------|------------------|---------------------------------|---------------------------------|---------------------------------|---|-------------------------------|
| Lillooet | \$68,410 | \$282,091 | \$250,000 <i>DP \$25,000</i> | \$215,000 <i>DP \$21,500</i> | \$150,000 <i>DP \$15,000</i> | - | \$65,000 <i>DP \$6,500</i> |
|----------|----------|------------------|---------------------------------|---------------------------------|---------------------------------|---|-------------------------------|

Table 12: Summary Tables of Homeownership Affordability - Single Parent Households

| | Median Household Income | Purchase Price with 10% Down-payment | Average Resale Price - Single Detached | Average Resale Price - Duplex | Average Resale Price - Townhouse | Average Resale Price - Apartment | Average Resale Price - Manufactured |
|--|-------------------------|--------------------------------------|--|--|--|----------------------------------|--|
| Regional District of East Kootenay | | | | | | | |
| Cranbrook | \$38,863 | \$107,667 | \$260,000 <i>DP \$26,000</i> | \$220,000 <i>DP \$22,000</i> | \$200,000 <i>DP \$20,000</i> | - | \$115,000 <i>DP \$11,500</i> |
| Fernie | \$44,635 | \$141,739 | \$470,000 <i>DP \$47,000</i> | \$440,000 <i>DP \$44,000</i> | \$330,000 <i>DP \$33,000</i> | - | \$175,000 <i>DP \$17,500</i> |
| Invermere | \$45,930 | \$149,384 | \$325,000 <i>DP \$32,500</i> | \$230,000 <i>DP \$23,000</i> | \$335,000 <i>DP \$33,500</i> | - | \$120,000 <i>DP \$12,000</i> |
| Regional District of Central Kootenay | | | | | | | |
| Castlegar | \$43,930 | \$137,577 | \$285,000 <i>DP \$28,500</i> | \$280,000 <i>DP \$28,000</i> | \$270,000 <i>DP \$27,000</i> | - | \$75,000 <i>DP \$7,500</i> |
| Kaslo | \$30,800 | \$60,066 | \$305,000 <i>DP \$30,500</i> | \$200,000 <i>DP \$20,000</i> | - | - | \$180,000 <i>DP \$18,000</i> |
| Nakusp | \$37,010 | \$96,726 | \$270,000 <i>DP \$27,000</i> | \$150,000 <i>DP \$15,000</i> | \$350,000 <i>DP \$35,000</i> | - | \$70,000 <i>DP \$7,000</i> |

| | | | | | | | |
|---------------|----------|-----------------|--|--|--|---|--------------------------------------|
| Nelson | \$29,013 | \$49,519 | \$390,000 <i>DP \$39,000</i> | \$310,000 <i>DP \$31,000</i> | \$350,000 <i>DP \$35,000</i> | - | \$75,000 <i>DP \$7,500</i> |
|---------------|----------|-----------------|--|--|--|---|--------------------------------------|

Kootenay Boundary Regional District

| | | | | | | | |
|--------------------|----------|------------------|--|--|--|---|--------------------------------------|
| Grand Forks | \$35,686 | \$88,910 | \$250,000 <i>DP \$25,000</i> | - | \$150,000 <i>DP \$15,000</i> | - | \$63,000 <i>DP \$6,300</i> |
| Trail | \$44,905 | \$143,333 | \$200,000 <i>DP \$20,000</i> | \$300,000 <i>DP \$30,000</i> | \$320,000 <i>DP \$32,000</i> | - | \$80,000 <i>DP \$8,000</i> |

Okanagan Similkameen Regional District

| | | | | | | | |
|-----------|----------|------------------|--|--|--|--|--|
| Osoyoos | \$38,758 | \$107,045 | \$330,000 <i>DP \$33,000</i> | \$310,000 <i>DP \$31,000</i> | \$250,000 <i>DP \$25,000</i> | - | \$180,000 <i>DP \$18,000</i> |
| Penticton | \$37,907 | \$102,020 | \$390,000 <i>DP \$39,000</i> | \$340,000 <i>DP \$34,000</i> | \$295,000 <i>DP \$29,500</i> | \$130,000 <i>DP \$13,000</i> | \$140,000 <i>DP \$14,000</i> |
| Princeton | \$36,430 | \$93,302 | \$225,000 <i>DP \$22,500</i> | \$280,000 <i>DP \$28,000</i> | \$180,000 <i>DP \$18,000</i> | - | \$90,000 <i>DP \$9,000</i> |

Central Okanagan Regional District

| | | | | | | | |
|---------|----------|------------------|--|--|--|--|--|
| Kelowna | \$44,062 | \$138,358 | \$430,000 <i>DP \$43,000</i> | \$400,000 <i>DP \$40,000</i> | \$350,000 <i>DP \$35,000</i> | \$175,000 <i>DP \$17,500</i> | \$140,000 <i>DP \$14,000</i> |
|---------|----------|------------------|--|--|--|--|--|

North Okanagan Regional District

| | | | | | | | |
|-----------|----------|------------------|--|--|--|---|--|
| Armstrong | \$40,458 | \$117,080 | \$350,000 <i>DP \$35,000</i> | \$320,000 <i>DP \$32,000</i> | \$320,000 <i>DP \$32,500</i> | - | \$125,000 <i>DP \$12,500</i> |
|-----------|----------|------------------|--|--|--|---|--|

| | | | | | | | |
|--------|----------|------------------|--|--|--|--|--|
| Vernon | \$39,900 | \$113,787 | \$360,000 <i>DP \$36,000</i> | \$350,000 <i>DP \$35,000</i> | \$300,000 <i>DP \$30,000</i> | \$130,000 <i>DP \$13,000</i> | \$130,000 <i>DP \$13,000</i> |
|--------|----------|------------------|--|--|--|--|--|

Columbia Shuswap Regional District

| | | | | | | | |
|------------|----------|------------------|--|--|--|---|--|
| Golden | \$40,983 | \$120,182 | \$330,000 <i>DP \$32,000</i> | \$250,000 <i>DP \$25,000</i> | \$300,000 <i>DP \$30,000</i> | - | \$80,000 <i>DP \$8,000</i> |
| Revelstoke | \$52,628 | \$188,925 | \$380,000 <i>DP \$38,000</i> | \$280,000 <i>DP \$28,000</i> | \$420,000 <i>DP \$42,000</i> | - | \$170,000 <i>DP \$17,000</i> |
| Salmon Arm | \$37,737 | \$101,016 | \$320,000 <i>DP \$32,000</i> | \$250,000 <i>DP \$25,000</i> | \$280,000 <i>DP \$28,000</i> | - | \$130,000 <i>DP \$13,000</i> |

Thompson Nicola Regional District

| | | | | | | | |
|----------|----------|------------------|--|--|--|----------------------------------|--------------------------------------|
| Kamloops | \$48,000 | \$161,604 | \$350,000 <i>DP \$35,000</i> | \$300,000 <i>DP \$30,000</i> | \$280,000 <i>DP \$28,000</i> | \$120,000 <i>DP \$120,000</i> | \$115,000 <i>DP \$11,500</i> |
| Merritt | \$31,267 | \$62,821 | \$250,000 <i>DP \$25,000</i> | \$180,000 <i>DP \$18,000</i> | \$240,000 <i>DP \$24,000</i> | - | \$80,000 <i>DP \$8,000</i> |

Squamish Lillooet Regional District

| | | | | | | | |
|----------|----------|-----------------|--|--|--|---|--------------------------------------|
| Lillooet | \$30,040 | \$55,580 | \$250,000 <i>DP \$25,000</i> | \$215,000 <i>DP \$21,500</i> | \$150,000 <i>DP \$15,000</i> | - | \$65,000 <i>DP \$6,500</i> |
|----------|----------|-----------------|--|--|--|---|--------------------------------------|

Table 13: Summary Tables of Homeownership Affordability - Single Person Households

| | Median Household Income | Purchase Price with 10% Down-payment | Average Resale Price - Single Detached | Average Resale Price - Duplex | Average Resale Price - Townhouse | Average Resale Price - Apartment | Average Resale Price - Manufactured |
|--|-------------------------|--------------------------------------|--|--|--|----------------------------------|--|
| Regional District of East Kootenay | | | | | | | |
| Cranbrook | \$32,430 | \$69,689 | \$260,000 <i>DP \$26,000</i> | \$220,000 <i>DP \$22,000</i> | \$200,000 <i>DP \$20,000</i> | - | \$115,000 <i>DP \$11,500</i> |
| Fernie | \$34,716 | \$83,185 | \$470,000 <i>DP \$47,000</i> | \$440,000 <i>DP \$44,000</i> | \$330,000 <i>DP \$33,000</i> | - | \$175,000 <i>DP \$17,500</i> |
| Invermere | \$33,827 | \$77,937 | \$325,000 <i>DP \$32,500</i> | \$230,000 <i>DP \$23,000</i> | \$335,000 <i>DP \$33,500</i> | - | \$120,000 <i>DP \$12,000</i> |
| Regional District of Central Kootenay | | | | | | | |
| Castlegar | \$34,293 | \$80,689 | \$285,000 <i>DP \$28,500</i> | \$280,000 <i>DP \$28,000</i> | \$270,000 <i>DP \$27,000</i> | - | \$75,000 <i>DP \$7,500</i> |
| Kaslo | \$23,570 | \$17,385 | \$305,000 <i>DP \$30,500</i> | \$200,000 <i>DP \$20,000</i> | - | - | \$180,000 <i>DP \$18,000</i> |
| Nakusp | \$25,657 | \$29,704 | \$270,000 <i>DP \$27,000</i> | \$150,000 <i>DP \$15,000</i> | \$350,000 <i>DP \$35,000</i> | - | \$70,000 <i>DP \$7,000</i> |

| | | | | | | | |
|---------------|----------|-----------------|--|--|--|---|--------------------------------------|
| Nelson | \$29,013 | \$49,519 | \$390,000 <i>DP \$39,000</i> | \$310,000 <i>DP \$31,000</i> | \$350,000 <i>DP \$35,000</i> | - | \$75,000 <i>DP \$7,500</i> |
|---------------|----------|-----------------|--|--|--|---|--------------------------------------|

Kootenay Boundary Regional District

| | | | | | | | |
|--------------------|----------|-----------------|--|--|--|---|--------------------------------------|
| Grand Forks | \$23,069 | \$14,426 | \$250,000 <i>DP \$25,000</i> | - | \$150,000 <i>DP \$15,000</i> | - | \$63,000 <i>DP \$6,300</i> |
| Trail | \$30,470 | \$58,118 | \$200,000 <i>DP \$20,000</i> | \$300,000 <i>DP \$30,000</i> | \$320,000 <i>DP \$32,000</i> | - | \$80,000 <i>DP \$8,000</i> |

Okanagan Similkameen Regional District

| | | | | | | | |
|-----------|----------|-----------------|--|--|--|--|--|
| Osoyoos | \$28,900 | \$48,850 | \$330,000 <i>DP \$33,000</i> | \$310,000 <i>DP \$31,000</i> | \$250,000 <i>DP \$25,000</i> | - | \$180,000 <i>DP \$18,000</i> |
| Penticton | \$26,280 | \$33,383 | \$390,000 <i>DP \$39,000</i> | \$340,000 <i>DP \$34,000</i> | \$295,000 <i>DP \$29,500</i> | \$130,000 <i>DP \$13,000</i> | \$140,000 <i>DP \$14,000</i> |
| Princeton | \$24,680 | \$23,938 | \$225,000 <i>DP \$22,500</i> | \$280,000 <i>DP \$28,000</i> | \$180,000 <i>DP \$18,000</i> | - | \$90,000 <i>DP \$9,000</i> |

Central Okanagan Regional District

| | | | | | | | |
|---------|----------|-----------------|--|--|--|--|--|
| Kelowna | \$29,240 | \$50,857 | \$430,000 <i>DP \$43,000</i> | \$400,000 <i>DP \$40,000</i> | \$350,000 <i>DP \$35,000</i> | \$175,000 <i>DP \$17,500</i> | \$140,000 <i>DP \$14,000</i> |
|---------|----------|-----------------|--|--|--|--|--|

North Okanagan Regional District

| | | | | | | | |
|-----------|----------|-----------------|--|--|--|--|--|
| Armstrong | \$26,782 | \$36,347 | \$350,000 <i>DP \$33,500</i> | \$320,000 <i>DP \$32,000</i> | \$320,000 <i>DP \$32,000</i> | - | \$125,000 <i>DP \$12,500</i> |
| Vernon | \$28,860 | \$48,614 | \$360,000 <i>DP \$36,000</i> | \$350,000 <i>DP \$35,000</i> | \$300,000 <i>DP \$30,000</i> | \$130,000 <i>DP \$13,000</i> | \$130,000 <i>DP \$13,000</i> |

Columbia Shuswap Regional District

| | | | | | | | |
|------------|----------|-----------------|---------------------------------|---------------------------------|---------------------------------|---|---------------------------------|
| Golden | \$33,289 | \$74,757 | \$330,000 DP \$33,000 | \$250,000 DP \$25,000 | \$300,000 DP \$30,000 | - | \$80,000 DP \$80,000 |
| Revelstoke | \$28,860 | \$48,614 | \$380,000 DP \$38,000 | \$280,000 DP \$28,000 | \$420,000 DP \$42,000 | - | \$170,000 DP \$17,000 |
| Salmon Arm | \$25,693 | \$29,920 | \$320,000 DP \$32,000 | \$250,000 DP \$25,000 | \$280,000 DP \$28,000 | - | \$130,000 DP \$13,000 |

Thompson Nicola Regional District

| | | | | | | | |
|----------|----------|-----------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Kamloops | \$32,249 | \$68,618 | \$350,000 DP \$35,000 | \$300,000 DP \$30,000 | \$280,000 DP \$28,000 | \$120,000 DP \$12,000 | \$115,000 DP \$11,500 |
| Merritt | \$23,860 | \$19,097 | \$250,000 DP \$25,000 | \$180,000 DP \$18,000 | \$240,000 DP \$24,000 | - | \$80,000 DP \$8,000 |

Squamish Lillooet Regional District

| | | | | | | | |
|----------|----------|----------------|---------------------------------|---------------------------------|---------------------------------|---|-------------------------------|
| Lillooet | \$21,610 | \$5,815 | \$250,000 DP \$25,000 | \$215,000 DP \$21,500 | \$150,000 DP \$15,000 | - | \$65,000 DP \$6,500 |
|----------|----------|----------------|---------------------------------|---------------------------------|---------------------------------|---|-------------------------------|

APPENDIX B

Case Study Summary Tables

Table 14: Summary Table of Community Land Trust Models

| | Orcas Island, WA | Burnsville, NC | Burlington, VT |
|--------------------------|--|--|---|
| Administration | OPAL Community land trust, paid staff and volunteers. Leaseholder participation. Maintains wait list | Volunteer-run non-profit community land trust managed and administered the program | Champlain Housing Trust, membership based non-profit, administers/ manages all units; develops new units /acquires existing units |
| Target Population | Working households, lived in community for min 3 years | Existing residents of the mobile home park | Low to moderate income singles, couples, families, within urban areas of Burlington and surrounding rural areas |
| Housing Form | Clustered single-detached homes; acquired/revitalized older single-detached housing stock; modular factory-built homes | Manufactured home park | New-build condos, townhouses and acquiring/rehabilitating existing housing stock |
| Tenure | Homeownership (and rental is part of portfolio) | Homeownership | Homeownership (and rental is part of portfolio) |

| | | | |
|-----------------------------------|---|---|---|
| Structure | <p>Restricted resale, eligible households purchase unit, sign 99-year lease. At resale, households sell the unit at a price calculated to the resale formula in the lease. Unit sold to another eligible household. Flexible amortization geared towards household income</p> | <p>BLC secured long-term use of mobile home park land. Structure/ unit and land legally separated, residents own the structure/unit. Mobile home sales restricted to private market. BLC residents are expected to contribute an equity contribution to purchase a manufactured home, at a rate set by BLC, and pay pad rent</p> | <p>CHT owns land, ground-lease structures to households. State/ federal funds provide downpayments in lieu of eligible households paying downpayment. At time of resale, eligible homebuyers sell properties back to the CHT to find new eligible household. Resale price set by formula outlined in the ground lease agreement. Households entitled to 25% of the appreciated value. CHT collects fee of 6% of appraised</p> |
| Affordability Calculations | <p>Unit sale price affordable for eligible households earning 80% of the average median income</p> | <p>Grandfathered income levels of existing residents of the mobile home park</p> | <p>Households earning below 100% of Area Median Income</p> |
| Funding Source | <p>Pre-construction costs: donated land; Washington State's Housing Trust Fund; U.S. Department of Agriculture's Farmer's Home Loan Program (1% interest); U.S. Department of Housing and Urban Development Community Block Grant. Mortgages used to cover cost of construction</p> | <p>Resident purchase of manufactured home park via charitable donations to land trust; bridge loans from the Community Re-investment Association of North Carolina (\$100,000 at 0% interest and BB&T Bank (\$200,000 at 8% interest); permanent loans from CRA-NC (\$189,500 at 0% interest) and United Carolina Bank(\$110,000 at 6% interest)</p> | <p>Initial financial support provided by the City of Burlington; State of Vermont funding; Vermont Housing and Conservation Board (VHCB) investment; US federal government discretionary funds; Vermont Housing Finance Agency and the Burlington Employee Retirement System low-interest financing. Households pay \$35/month member fee</p> |

Table 15: Summary Table of Shared Equity Models

| | Whistler, BC | Burnaby, BC | Fernie, BC | Calgary, AB | Port Moody, BC | Vancouver, BC | Southeast, BC |
|--------------------------|--|---|---|--|---|---|--|
| Administration | Units developed, administered and managed by Whistler Housing Authority - independent municipally owned corporation. WHA maintains wait list | SFU Community Trust administers resale agreements and maintains wait list | Managed and administered by Fernie Family Housing Society | Developed, administered and managed by Attainable Homes- independent municipally owned non-profit organization. Attainable Homes maintains wait list | Develop, market and sell the affordable homeownership units | Units available to public (no wait list), subject to eligibility and affordability calculations | Builds units, administers program, selects eligible households, writes/lends mortgage |
| Target Population | Moderate-income workforce and retirees | SFU faculty and staff with children | Low to moderate income singles, families and seniors | Moderate-income singles, couples and families | Low to moderate income singles, couples and families | Low to moderate income singles and couples | Low to moderate-income family households, some households are from subsidized rental housing |

| | | | | | | | |
|---------------------|---|---|--|---|---|---|---|
| Housing Form | Studio, one, two, three, four-bedroom condos; townhouses; single-detached | Condos, townhouses | Multi-unit apartment | Condos, townhouses. | Multi-unit apartment, with one and two-bedroom units | Multi-unit apartment | Single-detached homes and duplexes, including compact housing forms |
| Tenure | Home-ownership (and rental is part of portfolio) | Home-ownership (and rental is part of portfolio) | Home-ownership (and rental is part of portfolio) | Home-ownership | Home-ownership | Home-ownership (and rental is part of portfolio) | Home-ownership |
| Structure | Restricted resale, price restricted registered covenant on title | Restricted resale and price restricted registered covenant on title | Restricted resale and price restricted registered on title. Household provides a 10% downpayment | Restricted resale, Attainable Homes provides downpayment, share unit appreciation | Eligible households not required to provide downpayment | Restricted resale and price restrictions registered on title, Developer registers a second mortgage to secure the loan equal to 10% of purchase price | Builds units, writes / holds mortgage. No downpayment, 0% interest. Equity sharing agreement calculates years household owned unit and equity gains |

| | | | | | | | |
|-----------------------------------|--|---|--|---|--|--|--|
| Affordability Calculations | Royal Bank of Canada prime lending rate; or Greater Vancouver Housing Price Index. Affordable homeownership units sold 30% below market value | Affordable homeownership units sold at 20% below market value | Annual household income of \$67,000 or less for one-bedroom unit; or \$97,000 or less for a two-bedroom unit | Annual household income of \$90,000 for households with children; annual household income of \$80,000 for households with no children | Annual household income of \$65,850 or less for one-bedroom unit; or \$92,430 or less for a two-bedroom unit. Units sold at 10% below market value | Annual household income of \$85,000 or less. Affordable homeownership units sold at 10% below market value | Affordability is offered through 0% interest mortgage payments, zero downpayment, and mortgage-geared to income calculations; flexible amortization terms Eligible households provide 500 hours of sweat equity |
| Funding Source | Employee Restricted Housing Fund generates revenue from Employee Housing Service Charge Bylaw | Leverage land holdings in Trust; lease agreements | Low-cost constructing financing from BC Housing's CPI Program | City and Province funding (\$1 million); City Housing Fund; donated land; equity gains | Low-cost constructing financing from BCH CPI Program subject to 90% of units sold via pre-sales | Construction savings; sale of retail units for sale price reduction | Volunteers provide sweat equity/free labour; acquire donated land; corporate sponsorship |

APPENDIX C

Resources

MUNICIPAL TOOLS TO SUPPORT AFFORDABLE HOMEOWNERSHIP

Municipalities can serve as strategic partners in the creation of affordable housing, and can adopt policies to facilitate the development of new affordable housing projects including affordable homeownership projects. The following municipal tools have been identified to support and/or used in conjunction with an affordable homeownership program.

Restricted Resale:

- Restricted resale is a tool available to communities and development projects through the community charter (for municipalities) as well as through the Local Government Act (for regional districts). This tool can limit the resale price of housing to a price lower than market value. Restricted resale can be registered as a covenant on title and applied in perpetuity. Utilizing this tool keeps homeownership units relatively affordable for potential future purchasers, over time.

Land Use Planning:

- Municipalities can utilize land use policy and zoning to encourage alternative options to the single-detached housing form which is typically the most expensive housing form in most communities. These land use mechanisms include permitting and encouraging secondary suites (mortgage helpers), and encourage through policy and designated land uses (via Official Community Plans) and permitted uses (via Zoning Bylaws) compact lots, duplexes, triplexes, fourplexes, townhouses, and other multi-unit condominiums. The diversity of housing options can help make affordable homeownership projects more viable.

Use of Municipally Owned Land for Affordable Housing:

- One of the most difficult challenges in increasing the supply of affordable housing is acquiring land and in particular land that is located in areas that meet the needs of the population being housed. In strong housing markets, competition with market developers makes land acquisition expensive. Local governments have the opportunity to make municipally-owned land available for affordable housing projects including affordable homeownership projects, however the limited land availability makes this a competitive situation.
- Still, there remains opportunity for municipalities to provide municipally-owned land as donated outright or through a land lease option for potential affordable homeownership projects. The use of municipally-owned land could help an administering organizations overcome challenges related to high land values and help reduce the overall cost of a project and thereby making units more affordable to moderate-income households.

Municipal Financing Tools (Property Tax Exemptions, Fee Reductions, etc.):

- The Local Government Act gives municipalities in B.C. unique authority to encourage the development of affordable housing. Municipalities can use financial incentives, including property tax exemptions and waived or reduced development cost charges, to improve the financial feasibility of affordable housing

development projects. Development cost charges (DCCs) and building permit fees may be waived or reduced, for affordable housing projects including rental and potentially affordable homeownership units. Municipalities may also delay the collection of DCCs, reducing carrying costs for housing providers and improving the economics of housing projects (however, municipalities are required to recover DCC costs from other municipal funds).

Inclusionary Housing Policy:

- Inclusionary housing policy is a tool used by local governments to encourage or require the provision of affordable housing as part of residential development projects. Usually the inclusionary housing policy is combined with density bonusing or other incentives (such as fast tracking approvals) to encourage developer participation and to offset the cost of providing the affordable housing units.
- Cash-in-lieu contributions or land equivalent to the value of the affordable units are sometimes permitted where the affordable housing is not built.
- Inclusionary housing policies can be either mandatory or incentive-based. When mandatory, developers are required to contribute affordable housing as a condition of development approval with density bonuses and other concessions that may be provided to offset the costs incurred by the developer. For incentive-based programs, builders are encouraged to contribute voluntarily to affordable housing in exchange for density bonus and other offsetting incentives such as fast tracking of approvals and reduced development standards such as parking.

Municipal Affordable Housing Reserve Fund:

- An Affordable Housing Reserve Fund is a tool that municipalities can use to save funds for the purpose of supporting the development of affordable housing, including affordable homeownership units. Revenue generated from a number of sources can be allocated towards the fund. For example, cash-in-lieu contributions from an inclusionary housing policy can be directed into a municipal Affordable Housing Reserve Fund.
- The allocation of Affordable Housing Reserve Funds vary by community, but can include grants or capital contributions towards an affordable housing project; grants to non-profit housing providers for research, feasibility studies or pre-construction activities in anticipation of an affordable housing project; and/or to purchase and secure land in anticipation of an affordable housing project. Affordable Housing Reserve Funds can also be used internally to support staff that work on affordable housing applications, liaison and consultation with community based organizations, and to undertake studies such as housing needs assessments.

SAMPLE LEGAL DOCUMENTS

Affordable homeownership programs utilize legal agreements to ensure long-term affordability of homeownership units. In general, these legal agreements restrict the resale of housing units with price

agreements registered as a covenant on title. These legal agreements vary based on the nature of the administering organization, and can include housing agreements, options to purchase, and other covenants.

For a sample of legal agreements used to secure affordable homeownership programs, the Whistler Housing Authority website includes links to templates that are used in the legal transfer of affordable homeownership units within its mandate. These legal agreements are unique for each of the Authority's various affordable homeownership development projects. Instructions to solicitors are also included on the website. These resources are available at:

<https://whistlerhousing.ca/pages/legal>

Note that legal agreements for new and future affordable homeownership programs need to be tailored to the unique circumstances of the administering organization and legal approach for securing long-term affordability. Expert legal advice in developing these agreements is critical for the creation of a viable affordable homeownership program.





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