

HOUSING HUB

BUILDING PARTNERSHIPS. BUILDING HOMES.

PROVINCIAL RENTAL SUPPLY



PROGRAM FRAMEWORK

May 2019



INTRODUCTION

In 2018, the Province of British Columbia announced the creation of the HousingHub, through which BC Housing partners with non-profit and for-profit sectors, faith groups, and other levels of government to identify and advance innovative approaches to locate, use, or repurpose land in communities where affordability is an issue.

The Provincial Rental Supply program is delivered by BC Housing through the HousingHub, with an aim to increase the supply of affordable housing for middle-income households across British Columbia. Units will typically be situated toward the independent range of the Housing Spectrum.

Developments must be able to operate without any ongoing operating subsidies or other funding from BC Housing. Where projects involve supports or services to residents, additional funding from other project partners will be necessary.

This program framework outlines the overall program intent, goal, principles, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of project partners in the delivery and management of the Provincial Rental Supply program.

Figure 1: Housing Spectrum



PRINCIPLES

The following principles guide how BC Housing implements and administers the Provincial Rental Supply program, and our relationship with partners and government.

- 1. Affordable housing is established in communities where there is demonstrated need**
- 2. Sustainability**
 - a) Developments will be financially sustainable without additional financial assistance from BC Housing.
 - b) BC Housing considers environmentally sustainable practices a priority and encourages commitments to this end.
- 3. Consistency with regional and community priorities and plans**
 - a) Community and local/regional government support for the project should be evident.
 - b) Projects should be consistent with any Official Community Plans and strategies.
- 4. Project partners are expected to maximize their equity contribution to projects**

5. Transparent and accountable operations

- a) BC Housing will employ fair and consistent processes when evaluating and selecting projects.
- b) Project partners will maintain reliable and consistent records and fulfil reporting obligations to BC Housing.

PROGRAM PURPOSE

Goal: Increase the supply and range of affordable and appropriate rental housing options for middle-income households across British Columbia.

Objective: Create affordable rental housing in communities with housing need across British Columbia.

Outputs:

1. Interim construction financing for eligible project partners.
2. Take-out financing for eligible non-profit project partners.
3. Grant funding for a limited number of eligible non-profit project partners.
4. New affordable rental units created in communities with housing need.

Outcomes:

1. More middle-income households living in affordable, appropriate housing.
2. Affordable housing is operated successfully over the expected life of the developments without operating subsidies or supplemental funding from BC Housing.

Indicators:

1. Number of new units created for eligible households.

FUNDING

Partner Contributions

Partnerships are an essential component of the Provincial Rental Supply program. BC Housing will partner with non-profits and private developers, faith groups, property owners, and federal and local governments, to locate, use, develop or redevelop land in communities where affordability is an issue. Partner contributions may include capital funding, land or other equity contributions.

Financing¹

BC Housing may provide interim construction financing for the development of affordable housing, including new construction, acquisitions and redevelopments. Interim financing may be approved up to 100% of the cost to complete the project.

BC Housing may also help eligible non-profit housing partners obtain take-out financing. BC Housing will make arrangements with NHA approved lenders to obtain low interest rates and favourable terms through a competitive tender and selection process conducted and approved by BC Housing. All approved BC Housing take-out loans will have Canada Mortgage and Housing Corporation (CMHC) loan insurance.

BC Housing will typically require the following security registered on title:

¹ Financing is subject to BC Housing's Lending Criteria.

- Execution and registration of BC Housing’s standard mortgage security package, and
- A Section 219 restrictive covenant.

Security considerations will vary from project to project and will include a long-term operating agreement if CMHC-insured take-out financing is provided.

Grant Funding

Under the CMHC-BC Bilateral Agreement 2018, BC Housing will provide capital grants of up to \$100K/unit for a limited number of units in select non-profit projects in order to improve affordability and financial viability. To be eligible, units must be owned and operated by an eligible non-profit housing provider and meet BC Housing’s Design Guidelines and Construction Standards.

Capital grants will be secured by a 35-year forgivable mortgage registered on title and corresponding operating agreement. The terms of this funding are subject to change in accordance with CMHC and BC Housing priorities over the term of the Bilateral Agreement.

PROJECT ELIGIBILITY

BC Housing will consider proposals for funding through an open proposal call for submissions. The evaluation of submissions will be based on proponent and project eligibility, need and demand, lending criteria and available financing. The following minimum eligibility requirements must be met²:

1. The site must be suitable for affordable housing.
2. Housing must be for middle-income households. The project partner must own and control a mortgageable interest in the property.
3. The project partner will demonstrate present and future need and demand for affordable rental housing in the target community. Project partners should refer to the Need and Demand Study Document template for the recommended approach (see <https://www.bchousing.org/publications/housing-need-demand-template.pdf>).
4. The project partner must present a clear business case for the project, including demonstrated ability to maintain affordable rents over time, and demonstration that developments will be sustainable without operating subsidies or grants for capital repairs/replacements from BC Housing.
5. Project partners are encouraged to bring equity to the project such as cash, grants, municipal concessions or land.

While all project partners must meet the minimum eligibility requirements, BC Housing may apply additional criteria or prioritize projects based on available equity contributions, financing and other determining factors as indicated below:

- Greater need and demand/community impact
- Greater affordability
- Municipal and community support
- Larger equity contribution
- Geographic location

² BC Housing may require additional guarantees or security in certain cases as it deems appropriate.

KEY PROGRAM ELEMENTS

Tenant Eligibility

The program targets middle-income households, with income thresholds for eligibility as follows:

- **Units with two or more bedrooms:** Middle-income households are those whose gross household income does not exceed the 75th income percentile for families with children, as determined by BC Housing from time to time.³
- **Units with less than two bedrooms:** Middle-income households are those whose gross household income does not exceed the 75th income percentile for families without children, as determined by BC Housing from time to time.⁴

For projects involving a mix of unit sizes, the corresponding income threshold will be applied to each unit.

Rents

Rents must be affordable for eligible tenants, as determined by BC Housing⁵, and remain affordable for a minimum period of ten (10) years⁶. Units that receive capital grants will remain affordable for a minimum of 35 years.

The rent structure will vary depending on the characteristics of the particular project, the tenant population served, and whether or not funding from other partners is layered into the project.

All units in the development must be rented at or below market, and at rents affordable for eligible households considering the location and average household income for the area.

Design Guidelines

Projects are encouraged to meet or exceed the BC Housing Design and Construction Guidelines (<https://www.bchousing.org/partner-services/asset-management-redevelopment/construction-standards>)⁷. Provincially funded units must meet high standards of environmental sustainability, including low greenhouse (GHG) emissions. Certifications may include LEED, R2000, Passive House, BC Energy Step Code or other equivalent.

ROLES AND RESPONSIBILITIES

BC Housing

- Evaluating project proposals.
- Facilitating financing.
- Providing technical assistance and advice.
- Monitoring and evaluating the success of the program.

Project Partners

- Coordinating the design and construction of developments.

³ BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (With Children)*.

⁴ BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (Without Children)*.

⁵ Housing is considered affordable for a household when 30% or less of the household's gross income goes towards paying for housing.

⁶ Longer-term affordability requirements and operating agreements will apply in the event of take-out financing.

⁷ Required for units receiving grant funds.

- Day to day operations and management of the housing, including the provision of property management services.
- Identification and selection of tenants, including verification of their income.
- Periodic reporting to BC Housing.
- Ensuring the financial viability and long term operating success of the housing.

MONITORING AND REPORTING

Monitoring ensures program compliance and minimizes risk to all stakeholders: residents, project partners and BC Housing.

BC Housing's main interests are:

- Targeted households are being housed.
- Affordable rents are maintained.
- Construction standards and value for money are met.
- Developments are financially viable with no operating subsidies from BC Housing.
- Buildings are maintained to an appropriate standard for their expected lifespan.
- Project partners meet legal and contractual obligations.

From time to time, the project partner is required to submit a report, using a template provided by BC Housing, addressing key requirements such as:

- Current financial statements.
- Current rent levels.
- Household incomes at move-in.

An on-site visit by BC Housing staff may occur from time to time, particularly where operational or financial issues arise.

SIGN-OFF

The Program Framework requires final sign-off by the Vice-President Development and Asset Strategies, and the Vice-President Corporate Services and Chief Financial Officer.



**Vice President Development and
Asset Strategies**



**Vice President Corporate Services and
Chief Financial Officer**