

# *Affordable Housing*

## **PROGRAM FRAMEWORK**

**November 2020**



# AFFORDABLE HOUSING PROGRAM FRAMEWORK

## INTRODUCTION

Through a variety of initiatives under the Affordable Housing Program Framework, the Province of British Columbia and the Federal government invest in the development and acquisition of new affordable rental housing units to be operated by non-profit housing partners across British Columbia.

BC Housing seeks partnership opportunities to further increase the supply of affordable rental housing across the province by leveraging contributions from others along with the province's capacity to provide construction and mortgage financing at reduced rates.<sup>1</sup> Other funding opportunities will vary based on the funding source (as outlined in the Appendices), but may include an equity contribution from BC Housing for the purchase or acquisition of Provincial Rental Housing Corporation (PRHC) owned units or a capital grant.

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

While Affordable Housing projects will be considered anywhere along the Housing Spectrum (Figure 1), units will typically be situated toward the independent range of housing options. Increasing the supply and range of affordable housing options through various initiatives under the Affordable Housing Program strengthens the non-profit housing sector and supports housing affordability in British Columbia. A strong Indigenous housing sector will be further supported through the creation of affordable housing targeted to low and moderate income Indigenous households.

**Figure 1: Housing Spectrum**



This program framework outlines the overall program intent, principles, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of the partners in the delivery and management of the initiatives under this program framework.

Funding for initiatives under this framework is through a variety of both Provincial and Federal sources including:

- Investment in Affordable Housing (IAH)/Social Infrastructure Funding (SIF)
- Provincial Investment in Affordable Housing (PIAH)
- Investment in Housing Innovation (IHI)
- Affordable Rental Housing (ARH)

Additional information on each of these funding sources is available in the Appendices.

<sup>1</sup> BC Housing's capability to provide financing to facilitate the development of affordable rental housing for eligible households is enacted through provincial regulation. See: *Ministry of Lands, Parks and Housing Act*, R.S.B.C. 1979, [http://www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/11\\_490\\_79](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/11_490_79): BC Housing Management Commission Regulation.

# AFFORDABLE HOUSING PROGRAM FRAMEWORK

## PRINCIPLES

The following principles guide how BC Housing implements and administers the 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 housing options for low and moderate income households across British Columbia.

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

### Outputs:

1. Interim construction and take-out financing for eligible non-profit partnership projects.
2. Operator/operating agreements established with non-profit housing partners.
3. New affordable rental units created in communities with housing need, including units for Indigenous households created in partnership with Indigenous housing providers.
4. Equity contributions from BC Housing for the development or acquisition of PRHC owned units.
5. Grants to support the development of new projects.

### Outcomes:

1. More low and moderate 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.
3. Housing for Indigenous households is created in partnership with Indigenous housing providers.

## AFFORDABLE HOUSING PROGRAM FRAMEWORK

### Indicators:

1. Number of new units created, leveraged or preserved for eligible households.
2. Number of operator/operating agreements established with non-profit housing providers.
3. Number of projects developed with Indigenous housing providers.

## FUNDING

Funding opportunities will vary depending on the funding source (see Appendices for details), but will include one or more of the following:

### Partner Contributions

Partnerships are encouraged to leverage additional units and further increase the affordability of housing units. Partner contributions may include capital funding, land or other equity contributions. Partners may be non-profit housing providers, government agencies, the private sector or other community organizations.

### Financing<sup>2</sup>

BC Housing may provide interim construction financing for the development of affordable housing, including new construction or acquisition and renovation of existing buildings to preserve affordability. Interim financing may be approved up to 100% of the cost to complete the affordable housing project.

BC Housing may also help eligible non-profit housing partners obtain take-out financing for non-profit-owned units. 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 where take-out financing is provided:

- 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. However, the project partner must have a mortgageable interest in the property.

### Capital Funding

BC Housing may contribute capital funding through one of two mechanisms: equity contributions or capital grants. The specific mechanism depends on the funding source, as outlined in the appendices.

#### Equity Contributions

BC Housing administers equity contributions through the purchase of units to be owned by PRHC. These units are then operated by non-profit housing providers. PRHC owned units may comprise 100% of the project or be located within a larger project that includes units owned by partners (i.e. strata units).

#### Capital Grants

Some projects may be eligible for grants to support the development of new projects and improve affordability through reduced debt servicing (see the Appendices for details).

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<sup>2</sup> Financing is subject to BC Housing's Lending Criteria.

## AFFORDABLE HOUSING PROGRAM FRAMEWORK

### 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 met<sup>3</sup>:

1. The site must be suitable for affordable housing.
2. Housing must be for low and moderate income households. The non-profit project partner must own and control a mortgageable interest in the property if take-out financing is required.
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 where applicable, and demonstration that developments will be sustainable without operating subsidies or grants for capital repairs/replacements from BC Housing.
5. The project partner is encouraged to bring equity to the development in the form of cash, grants, municipal reductions, subordinated debt, or unencumbered land.
6. Non-profit project partners must:
  - a) Be incorporated under the laws of British Columbia or Canada.<sup>4</sup>
  - b) Ensure their constating documents meet BC Housing requirements.
  - c) Demonstrate the capacity to manage project construction and operate the affordable housing development as intended.

While all project partners must meet the minimum eligibility requirements, BC Housing may apply additional criteria for individual funding streams as outlined in the Appendices. BC Housing may also prioritize projects based on available equity contributions, financing and other determining factors as indicated below:

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

### KEY PROGRAM ELEMENTS

#### Tenant Eligibility

Low and moderate income households are eligible for housing. The income threshold used to define low and moderate income households depends on the number of bedrooms in the unit.

- **Units with two or more bedrooms:** Low and moderate income households are those whose gross household income does not exceed the median income for families with children, as determined by BC Housing from time to time.<sup>5</sup>

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<sup>3</sup> BC Housing may require additional guarantees or security in certain cases as it deems appropriate.

<sup>4</sup> *Ministry of Lands, Parks and Housing Act*, R.S.B.C. 1979: [http://www.bclaws.ca/EPLibraries/bclaws\\_new/document/ID/freeside/11\\_490\\_79](http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/11_490_79): BC Housing Management Commission Regulation.

<sup>5</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File - Median Income for British Columbian Couple Families (With Children)*.

## AFFORDABLE HOUSING PROGRAM FRAMEWORK

- **Units with less than two bedrooms:** Low and moderate income households are those whose gross household income does not exceed the median income for families without children, as determined by BC Housing from time to time.<sup>6</sup>

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

### Rents

Rents must be affordable, as determined by BC Housing, for eligible tenants throughout the term of any operating/operator agreements between BC Housing and the non-profit housing partner.

All units in the development must be rented at or below the Affordable Market Rent<sup>7</sup>, however developments may also include lower fixed rents (e.g. shelter component of income assistance) or rent-geared-to income units where feasible. The rent structure will vary depending on the characteristics of the particular project, the tenant population served, and whether or not funding from other sources is layered into the project.

### Agreements

Housing providers must enter into an agreement with BC Housing for the operation of the development<sup>8</sup>. The specific type of agreement will depend on the funding source, see the Appendices for details.

1. For non-profit partner-owned units, the housing provider will enter in to an operating agreement with BC Housing to provide affordable housing for low and moderate income households.
2. For PRHC-owned units, the housing provider will enter in to an operator agreement to operate the units as affordable housing for low and moderate income households. In developments where only a portion of units are owned by PRHC, these units will be operated in the same manner as the partner-owned units under operating agreement.

### 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>). Provincially funded units must meet high standards of environmental sustainability, including low GHG emissions. Certifications may include LEED, R2000, Passive House or other equivalent.

## ROLES AND RESPONSIBILITIES

### BC Housing

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

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<sup>6</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File - Median Income for British Columbian Couple Families (Without Children)*.

<sup>7</sup> Affordable Market Rent is defined as the average market rent based on CMHC's rental market or housing report. BC Housing may approve an alternative Affordable Market Rent based on local community conditions if required, e.g. in communities where CMHC data is not available.

<sup>8</sup> Where no housing provider is initially identified, BC Housing may, at its discretion, either select a housing provider or elect to directly manage the project's operations.

## AFFORDABLE HOUSING PROGRAM FRAMEWORK

### Project Partners

- Coordinating the design and construction of developments.
- 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 as specified in the operating/operator agreement.
- 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 contractual obligations.

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

- 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, dependent on any issues arising and/or where financial and operating risks are considered to be greater.

## SIGN-OFF

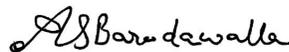
The Program Framework requires final sign-off by the Vice-President Development and Asset Strategies, and the Vice-President Corporate Services and Chief Financial Officer.



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Michael Flanigan

Vice President Development and Asset Strategies



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Abbas Barodawalla

Vice President Corporate Services and Chief Financial Officer

# APPENDICES: TABLE OF CONTENTS

Funding under Affordable Housing Framework is through a variety of both Provincial and Federal sources. The following appendices outline the funding specific information including capital funding, equity contributions, and capital grants for each funding stream.

- APPENDIX 1 – INVESTMENT IN AFFORDABLE HOUSING/SOCIAL INFRASTRUCTURE FUNDING ..... 8
- APPENDIX 2 – PROVINCIAL INVESTMENT IN AFFORDABLE HOUSING (PIAH) ..... 9
- APPENDIX 3 – INVESTMENT IN HOUSING INNOVATION (IHI)..... 10
- APPENDIX 4 – AFFORDABLE RENTAL HOUSING (ARH)..... 11

**APPENDIX 1 – INVESTMENT IN AFFORDABLE HOUSING/SOCIAL INFRASTRUCTURE FUNDING**

In July 2011, the Government of Canada and Province of BC announced a \$180 million Agreement for Investment in Affordable Housing to support a range of housing needs for low-income individuals, families and seniors. Each level of government provided matching contributions of \$90.06 million over a three-year period from April 1, 2011 to March 31, 2014.

In 2014, an extension of the Investment in Affordable Housing Agreement was announced, committing matching contributions of \$150.1 million, for a total additional investment of more than \$300 million over five years from April 1, 2014 to March 31, 2019 to help more individuals and families in need access affordable housing. The provincial matching funding contributed under IAH Extension is provided in the form of PRHC equity contributions (PRHC ownership of units required).

In 2016, additional funding was committed under the Social Infrastructure Funding IAH-Extension Doubling as well as special funding for construction and renovation of seniors housing. This funding was provided in the form of capital grants (PRHC ownership not required).

<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• Some projects receive capital grants or PRHC equity contributions</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are owned by the housing provider, long-term leasehold may be permitted</li> <li>• PRHC ownership of units is required for equity contributions under the provincial matching component of IAH Extension</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• Low and moderate income families, seniors, people with disabilities</li> <li>• Affordable market rent, some fixed rent or RGI where feasible</li> </ul>
<b>Mortgages and Operating Agreements</b>	<ul style="list-style-type: none"> <li>• Operating Agreements – typically 40 years (amortization plus 5 years)</li> <li>• Operator Agreements (PRHC owned units) – maximum 5 years, plus option to extend 5 years</li> <li>• BC Housing's standard mortgage package for repayable and forgivable mortgages, as well as S.219 Covenants with Option to Purchase registered on title</li> </ul>
<b>Operating Subsidy</b>	<ul style="list-style-type: none"> <li>• Not eligible for subsidy</li> </ul>

**APPENDIX 2 – PROVINCIAL INVESTMENT IN AFFORDABLE HOUSING (PIAH)**

Between 2014 and 2018, BC Housing transferred properties owned by the Provincial Rental Housing Corporation (PRHC) to non-profit housing providers through the Non-Profit Asset Transfer (NPAT) program. BC Housing is reinvesting proceeds from these transfers into the development of new affordable housing by partnering with non-profit housing providers, government agencies, community organizations and the private sector under the Provincial Investment in Affordable Housing (PIAH) program. This program facilitates the creation of affordable housing for low and moderate income households in communities across British Columbia.

PIAH also addresses Indigenous housing needs to further support a strong Indigenous housing sector through the creation of affordable housing targeted to low and moderate income Indigenous households living off-reserve.

Regional Housing First Program Partnership (RHFP)

In May 2016, the Capital Regional District (CRD)/Capital Regional Hospital District (CRHD), the Vancouver Island Health Authority (Island Health), Canada Mortgage and Housing Corporation (CMHC), BC Housing, and PRHC entered into a Partnering Agreement to facilitate the creation of sustainable affordable rental housing in the capital region, with an emphasis on the needs of individuals experiencing homelessness.

BC Housing provided \$30 million from PIAH, matched by \$30 million from the CRD/CRHD and \$30 million from CMHC (\$90M total). Through this combined investment, all three partnering organizations created the Regional Housing First Program (RHFP).

A key feature of RHFP is that a portion of units will be targeted to individuals experiencing homelessness, and priority will be given to projects that include a portion of units that rent at provincial income assistance rates. Refer to the Regional Housing First Program Framework for further details.

Columbia Basin Affordable Housing Program Partnership

In October 2017, Columbia Basin Trust, BC Housing, and PRHC entered into a Program Agreement to increase affordable housing availability within the Columbia Basin Trust Region. BC Housing and the Columbia Basin Trust made financial contributions of \$14 million each to the program for a cumulative total of \$28 million to create a minimum target of 225 affordable housing units in the Columbia Basin Trust Region. BC Housing made the funds available from PIAH.

<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• PRHC equity ownership through purchase of units</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are either owned 100% by PRHC or owned by the housing provider, with a portion of the units owned by PRHC</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• Low and moderate income families, seniors, people with disabilities</li> <li>• Affordable market rent, some fixed rent or RGI where feasible</li> </ul>
<b>Mortgages and Operating Agreements:</b>	<ul style="list-style-type: none"> <li>• Operating Agreements – typically 40 years (amortization plus 5 years)</li> <li>• Operator Agreements (PRHC owned units) – maximum 5 years, plus option to extend 5 years</li> <li>• BC Housing’s standard mortgage package for repayable mortgages, as well as S.219 Covenants with Option to Purchase registered on title</li> </ul>
<b>Operating Subsidy</b>	<ul style="list-style-type: none"> <li>• Not eligible for subsidy</li> </ul>

**APPENDIX 3 – INVESTMENT IN HOUSING INNOVATION (IHI)**

In 2016, the Province of British Columbia announced the Investment in Housing Innovation (IHI) with \$500 million to be invested in affordable housing across British Columbia, with a focus on innovative solutions to create self-sustaining developments. To be considered self-sustaining, developments must be able to operate without any ongoing operating subsidies from BC Housing.

**Project Eligibility**

Projects funded through IHI typically fall under one of the following categories:

**1. Affordable Rental Housing Purchase**

New affordable rental housing units purchased to provide an immediate increase in the supply of affordable housing for low and moderate income families, seniors and singles. This category may also include pre-negotiated purchase of up to 100% of private market developments, with interim construction financing provided for the construction of affordable rental housing units.

**2. Specialty Housing**

New affordable rental housing units that promote independence for special needs clients (i.e. youth aging out of care, high-functioning adults with developmental disabilities) through innovative design and partnerships. Projects may be mixed use, providing diverse and inclusive housing communities.

**3. Seniors Housing**

Purchase or construction of new affordable rental housing targeting low and moderate income seniors, with initial rents set at or below the SAFER rent ceilings.

**4. Rural Seniors Housing**

New modular housing for seniors in rural communities, developed in partnership with local governments to reduce development related charges, taxes and fees.

**5. Student Housing**

Affordable rental housing for students, constructed on land made available by post-secondary institutions.

**6. Youth Transition Housing**

New affordable housing designed to meet the unique needs of at risk or special needs youth.

**7. Advanced Proposed Projects**

New or existing affordable rental housing projects submitted under the proposal call for the *Provincial Investment in Affordable Housing (PIAH)* program.

**8. Mental Health Housing Projects**

Projects purchased to increase the supply and range of affordable and appropriate rental housing for individuals with mental health and substance use issues.

<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• Capital grants</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Owned and operated by non-profit housing provider</li> </ul>
<b>Rents and Eligibility</b>	<ul style="list-style-type: none"> <li>• Low and moderate income families, seniors, people with disabilities</li> <li>• Affordable market rent, some fixed rent or RGI where feasible</li> </ul>
<b>Mortgages and Operating Agreements:</b>	<ul style="list-style-type: none"> <li>• Operating Agreements – typically 40 years (amortization plus 5 years)</li> <li>• BC Housing’s standard mortgage package for repayable and forgivable mortgages, as well as S.219 Covenants with Option to Purchase registered on title</li> </ul>
<b>Operating Subsidy</b>	<ul style="list-style-type: none"> <li>• Not eligible for subsidy</li> </ul>

#### **APPENDIX 4 – AFFORDABLE RENTAL HOUSING (ARH)**

In September 2017, the Province of British Columbia invested \$208 million to create more than 1,700 new units of affordable rental housing across the province to assist low and moderate income renters, seniors and adults with mental health challenges or developmental disabilities. This is part of initial housing investments which will support the development of a comprehensive housing strategy that will partner with federal and municipal governments, First Nations, developers, and non-profit housing providers to improve housing affordability.

<b>Project Funding</b>	<ul style="list-style-type: none"> <li>• Interim construction and take-out financing</li> <li>• PRHC equity ownership through purchase of units</li> </ul>
<b>Project Ownership</b>	<ul style="list-style-type: none"> <li>• Projects are either owned 100% by PRHC or owned by the housing provider, with a portion of the units owned by PRHC</li> </ul>
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<b>Operating Subsidy</b>	<ul style="list-style-type: none"> <li>• Not eligible for subsidy</li> </ul>