



Staff Report to Council

DATE: Monday, April 15, 2024

DEPARTMENT: Planning

SUBJECT: Attainable Home Ownership Program Policy Updates

EXECUTIVE SUMMARY:

Over the past several years, staff have established and implemented the Attainable Home Ownership Program. Over this time, the City has secured two Housing Agreements for partner projects, one for thirty-one (31) attainable units in the Trailside at the Lake project at 1361/1371 Goldstream Ave and one for ten (10) attainable units in the Scene project at 2748 Peatt Rd. Applications for qualified buyers under the Program criteria are open for both projects now, although staff have been primarily focused on the Trailside at the Lake, as the first building containing seven (7) Attainable Units received an Occupancy Permit in November 2023. Five (5) out of these seven (7) Attainable Units have been sold to qualified buyers (an additional unit is under contract), and the developer anticipates launching pre-sales for their second building containing twenty-four (24) Attainable Units this coming spring/summer.

As the City does not currently have a sufficient number of approved applicants to purchase all of the Attainable Units that are either currently for sale or will be for sale within the next several months, staff conducted a survey targeting prospective applicants through the Let's Chat Langford platform to help identify any barriers that may be impacting the ability of people to qualify for the Program. Survey results indicate that approximately 50% of respondents don't qualify for the Program as they don't meet the household income threshold, either due to their household income being too low to qualify for a mortgage at the Program purchase prices, or due to exceeding the maximum permitted income. Additionally, respondents are primarily interested in the larger, family-sized units. Staff have also received feedback that the residency criteria limiting applicants to being Langford residents or employed within Langford is restrictive, as many potential applicants live or work just over the border in one of the nearby municipalities.

The main factor that has changed since the conception of the Program is the interest rate and stress test applied to people obtaining new mortgages. Since the time the Program was introduced, the Bank of Canada interest rate has increased from 0.25% to 5%, which significantly increases the household income required to qualify for a mortgage at the same purchase price, causing the gap between the minimum income required to qualify for a mortgage and the maximum income threshold of the Program to become quite narrow. While it is anticipated that interest rates may start to come down

again later this year, this is not guaranteed and may not occur before the second Trailside at the Lake Building is launched for sales.

In order to increase the pool of applicants that could qualify for the Program, Council may wish to consider adjusting some of the qualifying criteria. As laid out in more detail below, initial suggestions for criteria that could be adjusted in the short term are to increase the maximum household income and to expand the residency criteria of where applicants may live and/or work. Options in both of these categories have been provided, and staff are seeking Council direction as to which options, if any, they would like to have formalized into the Policy for adoption at a subsequent Council meeting.

In addition to this short-term matter, Council may also wish to direct staff to explore options to potentially restructure the Program more significantly in the longer term to improve the resiliency of the Program to market conditions and potentially take into account recently announced legislation pertaining to inclusionary zoning regulations and changes to how local governments can utilize density bonussing.

BACKGROUND:

At the Regular Council Meeting held October 18th, 2021, staff made a presentation to introduce a new Attainable Home Ownership Program (the “Program”), which was designed to provide a down payment assistance grant to qualified Langford residents to help them purchase a new 2-bedroom condo at a set purchase price in a participating development. This presentation included information regarding the structure of the Program, the qualifying criteria for applicants, the proportion of down payment assistance that would be provided to applicants based on their household income, and specifications for the units to be sold through the Program.

At the Regular Council Meeting held January 10th, 2022, Council directed staff to prepare Attainable Home Ownership Policy POL-0166-Plan with an expanded range of unit types (1-bedroom, 1-bedroom and den and 3-bedroom units) and to prepare an amendment to the Affordable Housing and Amenity Contribution Policy to formalize Amenity Contribution refund incentives for developments participating in the Attainable Home Ownership Program. At this same meeting, Council gave the first three readings to Bylaw No. 2013, a Housing Agreement Bylaw for the first partner project (1365 Goldstream Avenue, since readdressed as 1361/1371 Goldstream Ave).

At the Regular Council Meeting held February 7th, 2022, Council approved Attainable Home Ownership Program Policy POL-0166-Plan, which was subsequently signed by the Chief Administrative Officer on February 7th, 2022.

Following the initial implementation of this Policy, Council considered and adopted several amendments at the Regular Council Meeting held May 2nd, 2022. These amendments included adding a new two-bedroom plus den unit type and making participation in the program a mandatory condition of rezoning approval for new buildings with four or more residential storeys.

At the Regular Council Meeting held February 21st, 2023, Council considered and approved several amendments. These amendments included: increasing the household income levels, expanding the residency criteria, and adding a rental option to the Policy. The Attainable Home Ownership Program Policy POL-0166-Plan was subsequently signed by the Corporate Officer on February 21st, 2023.

COMMENTARY:

The intent of POL-0166-Plan was to establish a pilot program to create attainable home ownership opportunities for middle-income households in the City of Langford. The program has now been in place for approximately two years and this report provides a status update so that Council may consider next steps.

To date, Council has approved two Housing Agreements for partner projects, securing a total of forty-one (41) units for the Program. Thirty-one (31) of these units are located in the Trailside at the Lake project at 1361 and 1371 Goldstream Ave and ten (10) of these units are located in the Scene project at 2748 Peatt Rd. While the Scene has only recently commenced site excavation works, Trailside at the Lake is well underway. The first building containing seven (7) attainable units (in addition to fifty-two (52) market units) received Occupancy Permit in November 2023. The second building containing twenty-four (24) attainable units (in addition to forty-one (41) market units) is under construction with Occupancy expected to be issued later this spring/summer.

Five (5) out of the seven (7) attainable units in the first Trailside at the Lake building have been sold to qualified buyers (with an additional unit under contract), and City staff expect that sales will be launched for the twenty-four (24) attainable units in the second building this spring/summer.

In addition to these active projects, approximately five other projects have been granted zoning approval with a commitment to participate in the Program but have not yet proceeded to the Housing Agreement stage. Several other future projects have applied for rezoning and will be subject to the mandatory requirement set out in the Policy but are either in-stream or have not yet been considered by Council.

The program has a mailing list of interested individuals of over nine hundred (900) people, but only twelve (12) approved applicants. Recently, staff conducted a survey through the Let's Chat Engagement Platform on the City's website to gather information on key areas of the program. The survey was created to determine if further amendments need to be made to the program or if a different direction with the pilot program is required. The following key statistics have emerged:

- 43.1% of all respondents have a gross household income of less than \$85,000, meaning they may not qualify for a mortgage for the purchase price of the units in the Program, particularly due to the 5% downpayment maximum.
- 7.7% of all respondents have a gross household income of more than \$150,000 meaning they do not qualify for the program.

- This translates into a combined 50.8% of all respondents that do not qualify for the program as they do not meet the gross household income threshold (i.e. income is either too low to qualify for a mortgage or exceeds the maximum permitted income).
- 50.7% of all respondents would apply for a 3-bedroom unit. The program does not currently have those unit types available.
- 38.5% of all respondents have a household composition of three (3) people or more with at least one person being a dependent.
- 66.2% of all respondents have less than \$50,000 in assets (which is the maximum amount of assets permitted).
- 53.8% of all respondents believe one or more of the qualifying criteria provide a barrier to them entering the program.

In addition, actual and prospective applicants have either formally or informally been deemed ineligible due to the residency criteria (i.e. working or living in Langford).

The interest rate increases of the last several years, from an initial 0.25% to the current 5%, have also significantly affected the ability of applicants to qualify for the Program. At conception, the income levels required to qualify for a mortgage to purchase the different unit types at their specified purchase prices were hitting the right mark to be achievable for the middle-income household, and translated into a mortgage payment that was about the same or slightly more than the average rent. Under today's interest rate, the maximum qualifying income of the Program is very close to the minimum income required to meet the stress test requirements to qualify for a mortgage with a 5% down payment (the maximum down payment permitted under the Program) at the various purchase prices. In particular for the 1-bedroom units, the mortgage payments required by the current interest rates also translate into a much higher monthly payment than the average rent, making the transition from renter to homeowner more difficult.

Over the same time period that interest rates have increased, so has the market value of condo units. In the Trailside at the Lake, for example, an Attainable 2-bedroom unit is being sold for \$450,000 including GST, whereas a market 2-bedroom unit is listed for between \$555,500 - \$630,000 excluding GST.

At the time the Program was created, the Attainable Unit purchase price was ~10% below market value, and now is ~20-32% below market value. Due to this, the affordability level generated by the Program is much more significant today, despite the factors that make it more difficult for buyers to qualify for the mortgage.

In the short term, the City is responsible for selling twenty-six (26) units this year in the Trailside at the Lake project, including two (2) additional units in the occupied building and twenty-four (24) units in the building to be completed this spring/summer. Due to the lack of qualified buyers currently being generated by the Program, Council may wish to consider adjusting the qualifying criteria in order to increase the pool of applicants that could qualify.

Firstly, Council may wish to consider adjusting the maximum income threshold. This could be done by increasing each income category by the Victoria area Consumer Price Index for 2023 (3.7%). Alternatively, Council could consider aligning with the BC Housing middle income limits for their rental programs or specifying a different threshold.

Table 1: Income Threshold Comparison

	Current Income Threshold	3.7% Increase to Current Thresholds (rounded to the nearest \$1,000)	BC Housing Income Thresholds
1-bedroom	\$125,000	\$130,000	\$131,950
1-bedroom plus den	\$130,000	\$135,000	\$131,950
2-bedroom	\$140,000	\$145,000	\$191,910
2-bedroom plus den	\$145,000	\$150,000	\$191,910
3-bedroom	\$150,000	\$156,000	\$191,910

Middle Income Limits:

- a. *For residential units with less than two (2) bedrooms, a gross household income that does not exceed the 75th income percentile for couples without children in BC, as determined by BC Housing from time to time. For 2024, this figure is \$131,950 (compared to \$126,050 last year)*
- b. *For residential units with two (2) or more bedrooms, a gross household income that does not exceed the 75th income percentile for families with children in BC, as determined by BC Housing from time to time. For 2024, this figure is \$191,910 (compared to \$182,870 last year)*

Source: BCHousing.org

As demonstrated above, the BC Housing income limits are either roughly in line or slightly less than those determined through an inflationary increase for the 1-bedroom and 1-bedroom plus den unit sizes, whereas the income limits for 2+bedroom units are much higher. Alternatively, staff understand that it is more challenging for applicants to qualify for a mortgage for the smaller units than it is for them to qualify for the larger units.

Council may wish to provide direction to staff as to their preference for increasing the income thresholds, either in line with the 3.7% inflation rate for 2023, the BC Housing middle income limits, or an alternative as directed.

Secondly, Council may wish to consider adjusting the residency criteria. Applicants currently must meet at least one of the following criteria:

- Be a resident of Langford for at least the past 6 months;
- Work in Langford for at least the past 6 months;

- Be a Member of the Canadian Armed Forces posted in Victoria; or
- Be a Member of the RCMP posted in the Westshore.

Council could consider amending the residency and employment criteria to increase the potential pool of applicants. Two options to consider on this front are: to allow applicants that live or work in Langford or one of the adjoining/nearby municipalities (View Royal, Colwood, Sooke, Highlands, Metchosin); or alternatively, expand this further to include applicants that live or work in the CRD.

Should Council wish to move forward with this amendment, they may also wish to consider whether applicants that do not live or work in Langford (or meet the other current residency criteria noted above) should be eligible for the down payment grant. The grant funding is provided via the Affordable Housing Reserve Fund and is secured as a bonus for increased density through the rezoning process and paid by developers at the time of Building Permit issuance or Subdivision Approval, as applicable. Under the Bylaw establishing the reserve fund, moneys collected must be utilized to support the creation of affordable housing in Langford but does not speak to the users of that affordable housing. For example, in the past, the fund has been used to provide grants to non-profit housing providers to support the construction of new affordable housing on their lands, but the housing can be occupied by tenants as determined by the housing provider (i.e. not limited to renters already living in Langford).

As outlined, the set purchase price specified in the Policy is providing a significant reduction to the current market value of the units, and as such Council could opt to allow these additional buyers access to the Program while reserving the grant for those already contributing in some way to the Langford community (either by way of living or working here). Alternatively, all buyers will become residents of Langford, and will be contributing to the community by paying property taxes as well as shopping, recreating etc. in the community to a greater degree than they did before. This new category of buyers are certainly facing the same challenges as the current pool of applicants in terms of being able to afford to purchase a home and save for a downpayment due to the high cost of rent.

Adjusting the income and residency qualifying criteria in the short term could expand the pool of potential applicants for the Trailside at the Lake units that are currently for sale and those that will be listed in the coming months within the second building.

Council may also wish to note that recent reports indicate that inflation rates are stabilizing into a more acceptable range, and as such, the industry expects that interest rates may start falling later this year. It is anticipated that real estate sales in the region could start to increase if/when this occurs, and it is likely that the number of buyers applying to the Program will also increase, as buyers will qualify for mortgages at the purchase prices more easily with reduced interest rates and stress test levels.

Despite the potentially lower interest rates on the horizon, the last few years have demonstrated that the Program as currently structured is not as resilient to changing market and financial conditions as may be desired. As such, Council may also wish to direct staff to explore potential options to adjust the Program more significantly moving forward. This may include establishing a different structure for the Program, and/or a partnership with the CRD, wherein the CRD would manage the Housing Agreements secured by the City.

Additionally, the Province has just announced a new Bill that will (among other changes) amend the *Local Government Act* by establishing formalized Inclusionary Zoning regulations, wherein local governments can embed requirements for affordable housing in new developments into their Zoning Bylaws such that the requirements apply to projects that do not require rezoning, and by altering the way in which municipalities can establish density bonus provisions (i.e. requiring financial contributions or constructed amenities in exchange for increased density). While details are still pending, this new legislation is intended to work in conjunction with the previously announced Amenity Cost Charge legislation to create a predictable and transparent framework of requirements for new development that are embedded in Bylaws as opposed to negotiated and applied as a condition of rezoning. Council may wish to direct staff to further explore these options over the coming months and present any viable options to Council for further consideration in a separate report, likely in the fall.

LEGAL IMPLICATIONS:

As per the Housing Agreement registered for the Trailside at the Lake project, in the event that the City cannot find a sufficient number of qualified buyers for the Attainable Units, the owner may apply to the City for a release of the housing agreement if the following criteria have been met:

- That at least 6 months have passed since the issuance of an occupancy permit for the building; and
- The owner has sold at least 90% of the market units in the building.

When these conditions are met, the City has an additional 120 days following the receipt of a discharge request to sell the units before agreeing to discharge of agreement to release the attainable units into the market.

The developer is not yet in a position to request a discharge of the Housing Agreement as it pertains to Building 1.

FINANCIAL IMPLICATIONS:

The City currently has approximately \$4,500,000 in the affordable housing reserve fund (which, as noted, has been paid by developers as a condition of rezoning at the time of Building Permit issuance or Subdivision Approval, as applicable).

As previous staff reports have stated, this reserve fund, not including any future contributions from future developments, would allow for approximately 250 down payment assistance grants to be given out should the whole amount be dedicated to the Program.

To date, for the five sales that have completed, \$78,750 in grant funding has been paid out, and staff have included \$445,000, funded by the reserve fund, in the 2024 budget for grants anticipated to be paid out this year.

OPTIONS:

Option 1

THAT Council:

1. Direct staff to prepare an amendment to Policy POL-0166 -PLAN (Attainable Home Ownership Program Policy) with the following amendments:
 - a. Adjust the maximum household income threshold by:
 - i. Increasing the current amounts by 3.7%; **OR**
 - ii. Increasing the current amounts to align with the BC Housing middle income thresholds; **OR**
 - iii. Increasing the current amounts as follows:
_____.
 - b. Adjust the residency criteria by:
 - i. Permitting applicants to qualify if they have lived or worked in Langford or within Sooke, Metchosin, Colwood, View Royal or Highlands for at least the past 6 months; **OR**
 - ii. Permitting applications to qualify if they have lived or worked in the Capital Regional District for at least the past 6 months.
 - c. Specify that the down payment grant:
 - i. Is only provided to qualified applicants that meet the current residency criteria; **OR**
 - ii. Is provided to all qualified applicants.
2. Direct staff to explore options to adjust the structure of the Attainable Home Ownership Program and prepare a report to outline any viable options for Council's consideration.

OR Option 2

THAT Council direct staff to take no action at this time with respect to the Attainable Home Ownership Program Policy.

SUBMITTED BY: Leah Stohmann, RPP, MCIP, Director of Community Planning and Climate Change

Concurrence: Donna Petrie, Senior Manager of Business Development and Events

Concurrence: Yari Nielsen, Director of Parks, Recreation and Facilities

Concurrence: Matthew Baldwin, MCIP, RPP, Director of Planning and Subdivision

Concurrence: Katelyn Balzer, P.Eng., Director of Engineering and Public Works

Concurrence: Michael Dillabaugh, CPA, CA, Director of Finance

Concurrence: Marie Watmough, Director of Legislative and Protective Services

Concurrence: Braden Hutchins, Deputy Chief Administrative Officer

Concurrence: Darren Kiedyk, Chief Administrative Officer