

REQUEST FOR DECISION (RFD)

Town of Creston



Action Date: 2023-07-11

File: 5040-01

SUBJECT: Municipal Housing Corporation

RECOMMENDATION: THAT Council DIRECT Staff to prepare a business case on the development of a municipal housing corporation including identifying funding opportunities through Provincial and Federal entities.

CAO COMMENTS: Report submitted by Council.

RECOMMENDATION Report / Document: Attached Available Nil

KEY ISSUE(S) / CONCEPTS DEFINED: The Housing Supply Act requires municipalities to work towards targets in housing development, yet it is unclear the level of expectation on progress. Housing has been identified as a challenge in the Creston Housing Action Plan and RDCK Housing Needs Assessment, including both rental affordability and home ownership. There are limited developer / contractors in the Creston Valley. An option is to consider creating an organization that provides housing.

RELEVANT POLICY: Community Charter – Section 26 – Ownership of a corporation

STRATEGIC RELEVANCE: Community Safety & Security, Livability, Economic Health and Service Excellence

DESIRED OUTCOME(S): Introducing the concept of creating a municipal housing corporation.

RESPONSE OPTIONS: Possible ways to achieve the main result with analysis highlights

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|---|
| 1. Direct staff to prepare a business case on the development of a municipal housing corporation. |
| 2. Direct staff to provide additional information prior to developing a business case. |
| 3. Direct staff not to proceed with further exploration of a municipal housing corporation. |

PREFERRED STRATEGY: Option 1

<p align="center">IMPLICATIONS OF RECOMMENDATION:</p> <p>GENERAL: Provides information to Council to determine the feasibility of developing a municipal housing corporation.</p> <p>ORGANIZATIONAL: Staff will research and develop a draft business case for Council review.</p> <p>FINANCIAL: N/A – future development of a housing corporation will have a financial decision.</p> <p>FOLLOW UP ACTION: Staff to explore funding opportunities through grants for starting a housing corporation.</p> <p>COMMUNICATION: Future public engagement.</p> <p>OTHER COMMENTS: N/A</p>

Submitted by: 
Michael Moore, CAO

Endorsed by: Other _____

Reviewed by: CAO _____

Reviewers _____

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TO: Mayor and Council

CC:

FROM: Michael Moore, Chief Administrative Officer

DEPARTMENT: Administration

SUBJECT: Municipal Housing Corporation

APPENDIX: ATTACHED OTHER DOCUMENT NOT APPLICABLE

KEY ISSUE(S) / CONCEPTS:

To introduce the concept of the establishment of a municipal housing corporation.

BACKGROUND:

Communities across Canada have housing as a priority and in many cases are advancing activities that address shortfalls in local housing inventories (Canadian Mortgage and Housing Corporation, 2010).

Local governments were legislated in 2018 to undertake a housing needs assessment. The Town of Creston partnered with the Regional District of Central Kootenay for a sub-regional housing needs report, subsequently completed and publicly distributed in September 2020. This report had three noteworthy conclusions:

- *There is a general lack of affordable and available housing in the Greater Creston sub-region. Access to appropriate housing is very difficult for families, people on income assistance, and anyone with a specialized need (Regional District of Central Kootenay Housing Needs Report, 2020).*
- *Renting is becoming increasingly popular, whether by choice or necessity (Regional District of Central Kootenay Housing Needs Report, 2020).*
- *The size and quality of housing is improving, allowing residents to live more comfortably and securely. Unfortunately, the compromise appears to be less affordable housing (Regional District of Central Kootenay Housing Needs Report, 2020).*

On March 9, 2022, the Town of Creston held a public meeting to discuss the Affordable Housing situation in Creston. There were 59 community members in attendance, representing a variety of local organizations and non-profits, business owners, landowners, investors, builders, developers, realtors, and tenants. Following this meeting, the Affordable Housing and Development Advisory Select Committee was established by Council (Creston Housing Action Plan, 2023)

On January 24, 2023, Council adopted the Creston Housing Action Plan. The Creston Housing Action Plan was a result of the work completed by the Affordable Housing and Development Advisory Select Committee with 19 recommendations to increase housing supply for low-to-moderate income households, not-market housing supply, rental housing supply and lower-priced homeownership opportunities. The vast majority of the recommendations are policy based actions (zoning, density,

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parking requirements) with three recommendations based on direct actions (land acquisition, providing land, and creating a housing fund) (Creston Housing Action Plan, 2023).

The Affordable Housing and Development Committee identified that the lack of capacity in the local development and construction industry was a key factor on the lack of new housing and accessory dwelling unit development in the Creston Valley. There are not many developers in the area, and finding contractors is difficult (Creston Housing Action Plan, 2023, p. 30)

There is not a lot of evidence that demonstrates effectiveness of the various measures like those proposed with the Creston Housing Action Plan, especially in smaller communities. In 2017, BC Housing identified implementing policy measures to improve housing in small communities, such as changes to zoning, density, parking, and allowing secondary suites, has a low cost to the community but also has low results. The actions in small communities that had medium results included creating a housing fund and the provision of grants but with increased direct cost to the community. The actions identified with high results in small communities was the direct provision and/or public/private partnership but also having higher cost (BC Housing , 2017, p. 5).

From an empirical point-of-view, policy adjustments to reduce parking requirements and increasing density will not have immediate results with the identified absence of (or limited number of) local developers in the Creston Valley. These types of policy improvements are still considered necessary and have shown to have longer term positive impacts on housing affordability (BC Housing , 2017, p. 6).

A municipality can create a housing organization dedicated to providing and managing housing for rent or purchase as identified by Canadian Mortgage and Housing Corporation and BC Housing as an option for local governments to consider (Canadian Mortgage and Housing Corporation, 2010) (BC Housing , 2017)

A housing organization can perform one or more of the following functions (Canadian Mortgage and Housing Corporation, 2010):

- Develop and manage rental housing;
- Develop and sell price-restricted housing;
- Facilitate the development of rental or ownership housing by the private sector;
- Research affordable housing needs;
- Establish applications, qualifications, wait-lists and processes to manage access to affordable housing opportunities;
- Draft, review and administer covenants and housing agreements for affordable housing; and
- Act as a resource centre for affordable housing information and strategies.

BC Housing's report *Building Knowledge & Capacity for Affordable Housing in BC Small Communities* outlines 13 activities local governments can undertake in three categories – Municipal Tools, Partnering for Land, Financing and Capacity Building for Organizations and the Community. On page 27 of this report – Housing organization and building capacity – it identifies the key benefits of developing a housing organization as:

- Affordable housing is more likely to be produced and effectively managed when a high functioning organization is dedicated to that goal
- Acts as a community resource for housing

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- Can monitor the process of rentals and resales to ensure qualified individuals and families
- Can hold housing funds and act as project managers for new developments

Some local governments have or are considering direct delivery of housing through the local government itself or through other delivery models (i.e., municipal corporation, society, trust, commission). Examples of public housing corporations include: Metro Vancouver Housing Corporation, Surrey City Development Corporation, Capital Regional Housing Corporation, Tofino Housing Corporation, Whistler Housing Authority, Squamish Community Housing Society, SFU Community Trust, UBC Properties Trust. BC Housing is a provincial corporation.

The City of Burnaby recently announced the plans to establish a municipal housing corporation before 2024 called the Burnaby Housing Authority. The new housing authority will have four primary functions: acquisition, development, operation and administration. The focus will be primarily in non-market housing – rental and ownership – but also plans to be involved in market rentals to generate revenues to contribute towards its non-market housing goals (Chai, 2023).

The best comparison for a housing corporation in a small community like Creston would be the Tofino Housing Corporation. Initially started in 2005 to provide attainable and affordable housing for employees and residents within the municipality and surrounding areas, the housing corporation is a non-profit corporation owned and controlled by the municipality. The Board of Directors of the Tofino Housing Corporation is comprised of municipal representatives from Council, but its arms-length from Council. In 2020, the Board of Directors consisted of the former Mayor, two municipal councillors, the municipal CAO, a local business owner, a representative of the credit union and an employee of the Greater Victoria Housing Society. In 2018, the Tofino Housing Corporation partnered with Catalyst Community Developments Society as a third-party, non-profit developer for a development on municipal owned land. The Tofino Housing Corporation has 86 units under development currently with a target of 150 rental units and 30 units of price restricted resident restricted ownership housing by 2030 (Tofino Housing Corporation, 2021).

CURRENT STATUS:

The Creston Housing Action Plan identifies that there are limited number of developers in Creston and finding housing contractors is difficult. Of the identified developers, there is a niche market being sought, typically involving subdivision of land into large lots and/or large spec houses that are typically expensive.

In late 2022, the Province of British Columbia introduced the Housing Supply Act, designed by compel municipal governments to build more housing supply. The Province established legislation that empowers it to establish housing targets for municipal governments, in addition to the requirement to produce housing needs reports every five years. While the legislation is intended to address inefficient municipal policies and red tape that prevents housing to be built faster, targets will also factor in community plans, projected population growth, economic projects and the local development environment (Chan, 2022).

On June 13, 2023, the Minister of Housing identified 47 municipalities that have a 30 day window to assess the province's housing supply targets for their jurisdiction prior to the targets becoming public. While the majority of Lower Mainland municipalities were identified in the top 20, smaller communities are also targeted. These included the communities of Highlands, Lantzville, Sooke, North Cowichan, Anmore, Belcarra and Lions Bay. The Minister noted that another eight to ten municipalities will be added by late 2023 (Chan, 2023).

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In essence, the Housing Supply Act allows the Minister of Housing to set targets for municipalities to achieve. If the municipality demonstrates they are having challenges or are non-compliant, the legislation provides the Provincial government to bring in an independent advisor and identify the path forward, including overriding municipal directions (Chan, BC Government announces first 10 cities that must meet new housing quotas, 2023).

FINANCIAL:

At present this is an introductory conversation to determine Council direction on exploring a municipal housing corporation as a concept.

ORGANIZATIONAL / POLICY DISCUSSION:

The Creston Housing Action Plan has 19 recommendations in four categories. Many of these recommendations are being actioned through the zoning amendment presented to Council in June, and considered policy related.

Three actions within the Creston Housing Action Plan that has not been explored or discussed with Council are:

Recommendation 4: Provide municipal land and acquire new municipal land for non-market housing

Recommendation 5: Create an Affordable Housing Fund

Recommendation 6: Allocate a portion of property tax revenues to the Affordable Housing Fund

These recommendations may have merit in advancing housing opportunities in Creston but require partnering with a non-profit or developer to create the housing. As noted, there are a lack of developers and difficulties in acquiring local contractors to build already. The non-market housing societies are already challenged with the operation of existing non-market housing, and only one group having prepared a proposal to add 18 units through the next BC Housing intake. Presently the non-market societies are reviewing opportunities in merging together or finding economies / efficiencies in working together.

The Town of Creston staff do not have the capacity nor the expertise to create additional housing within the community.

A tool provided to municipalities through the Community Charter Section 185 is the statutory authority to incorporate a corporation. A corporation can focus on undertaking specific business functions and achieving business goals that a regional district or municipality cannot undertake as a local government. Additionally, a corporation is more flexible and can more quickly respond to changes in economic conditions, take advantage of business opportunities and pursue the maximization of its corporate profits. Additionally, this ability to have a municipal corporation provides a limit to liability of the local government, generally limited to the value of the shares owned by a shareholder in the corporation.

A municipal corporation must have a unique name that is geographical, descriptive in nature and its corporate designation. In this case, an example could be the Creston Housing Corporation.

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The company articles set the rules that govern the conduct of the corporation and its shareholders, directors and officers. Standard articles are not suitable for a municipal corporation since the articles need to be tailored to reflect the local government's needs and objectives for the corporation. The Inspector of Municipalities requires that the articles for a local government corporation contain a number of special provisions and restrictions, such as:

- Annual information meeting
- Appointment of Auditor
- Fiscal Year End
- Disposal of Corporate Assets
- Creation of Subsidiary Corporations

The ownership structure of a municipal corporation can be a single local government shareholder, multiple local government shareholders or ownership with other stakeholders.

To establish a municipal corporation, staff need to prepare a number of documents, such as a business plan, feasibility studies and draft articles of incorporation. These must go through public consultation prior to Council approving a resolution to an incorporation. The prepared documentation along with a certified copy of the council resolution would then be sent to the Inspector of Municipalities for review and approval. This process can take two to five weeks providing that the Inspector does not request additional information. Once approved, Staff could file for incorporation and provide the approval letter from the Inspector of Municipalities.

Funding a local government corporation:

Equity Financing

A local government may, with the approval of the Inspector of Municipalities, invest in a corporation through the acquisition of shares at the initial issue stage or through a subsequent offerings of shares made by the corporation.

Debt Financing

The corporation is not bound by the borrowing rules that are applicable to local governments except as limited by the articles of the corporation.

Lending Under Agreement

A local government may lend to its partially or wholly owned corporation by borrowing or other means, but such loans may typically only be made through a partnering agreement.

There is a requirement under Section 24 of the Community Charter to publicize any assistance that the municipality provides the municipal corporation including for disposition or transfer of assets, lending money, guaranteeing repayment of borrowing, providing security of borrowing and providing assistance under a partnering agreement. Section 26 of the Community Charter defines partnering agreements as *"An agreement between a municipality and a person or public authority under which the person or public authority agrees to provide a service on behalf of the municipality, other than a service that is part of the general administration of the municipality."*

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Local government corporations are required to have annual general meetings and annual information meetings, file annual reports, maintain records, have audited financial statements, follow procurement rules, not have conflict of interest and are liable for property tax.

Civic Legal LLP, (Michael Moll and Pam Jefcoat) provided the following in discussion about establishing a municipal housing corporation:

“To address the acute shortage of affordable housing in British Columbia many local governments are incorporating local government corporations to plan, develop and construct housing units, partner with building developers on affordable housing projects and to utilize these corporations to delegate property management and other land asset management responsibilities from the local government to these corporations.”

OPTIONS FOR CONSIDERATION:

Recommended Option

Council to direct staff to prepare a business case on the development of a municipal housing corporation, including identifying funding opportunities through Provincial and Federal entities.

Considered Options

Council direct staff on additional information required prior to directing staff resources to develop a business case on the development of a municipal housing corporation.

Council direct staff not to explore further information related to a municipal housing corporation.

COMMUNICATION:

To advance towards establishing a municipal housing corporation, a public consultation on the municipal plans to establish a municipal corporation would need to be undertaken.

CONCLUSION:

Based on the information provided by BC Housing’s *A Scan of Leading Practices in Affordable Housing* it would suggest that the best results to increase housing supply by a local government is to directly provide housing. There would need to be a number of strategy sessions in developing the goals of a housing corporation, but there are many successful models to consider. The primary focus could likely remain in the non-market portion of rentals and price-restricted home ownership similar to the Tofino Housing Corporation approach.

The success of a municipal housing corporation will remain on hiring an executive director that has a proven track record in housing development. This skill set is not within the existing Town staff.

There is opportunity to create a Board of Directors that have a mixture of elected officials and community members to strengthen the vision, goal setting and governance for increasing affordable housing within the community.

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There is no local developers that have provided any indication that there will be the creation of additional housing at either an adequate rate or affordable in nature to capture the gap in the rental or home ownership market identified in the Creston Housing Action Plan.

Staff does not want to commit resources to further exploring this opportunity without direction from Council. This includes developing a business case and legal fees.

Submitted by:


Michael Moore, CAO

Reviewed by:

CAO


Michael Moore, CAO

References

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