
City of Kelowna

MEMORANDUM

DATE: March 14, 2007
FILE: 5040-20
TO: City Manager
FROM: Community Planning Manager
RE: Housing Report No. 4: Community Land Trusts and Housing Reserve Funds
REPORT PREPARED BY: Theresa Eichler

RECOMMENDATION:

THAT Council authorize staff to develop a policy to specify an amount for a cash contribution from developers in lieu of affordable housing for zone changes where there is an increase in density, based on the findings of a land economist's report; and

AND THAT Council direct funds received in lieu of providing affordable housing to the Housing Opportunities Reserve Fund (HOPF);

THAT Council authorize staff to investigate policy for allocation of a portion of revenue from land sales of land acquired with funds from the Land Sales Reserve Fund to the Housing Opportunities Reserve Fund;

AND THAT Council not request staff to pursue the creation of community land trust at this time;

AND FURTHER THAT Council reaffirm its commitment to use the Housing Opportunities Reserve Fund (HOPF) to acquire and lease lands for developments featuring affordable housing, as well as reaffirming its prior commitment to annual budget allocations of \$200,000 to the HOPF.

PURPOSE:

This report is provided to guide Council regarding the feasibility of creating a community land trust for Kelowna. At a public workshop on affordable housing provided for Council on January 17th, the following resolution was passed:

THAT staff be instructed to investigate the following and report back to Council:

- *recent 2006 UBCM and FCM resolutions as they relate to provincial and federal legislation pertaining to affordable housing;*
- *the feasibility of offering below market rents on City-owned housing;*
- *existing City-owned property suitable for a Land Trust how a Land Trust may apply in a Kelowna context;*
- *are the City's targets for affordable housing realistic or would it be better to focus on specific groups (i.e. single parents, families with children and/or seniors on fixed incomes).*

Council's consensus was not to pursue the option of creating a Housing Corporation at either the regional or City level.

The Housing Cooperation was Recommendation No. 4 of the AFSN Housing Task Force, while Recommendation 3 was for a housing cooperative, managed by a Housing Corporation, to be offered to businesses and industry, whereby businesses could purchase cooperative or strata units in a housing co-op and rent their units at affordable levels to employees.

COMMUNITY LAND TRUSTS FOR HOUSING:

CMHC research¹ shows that community land trusts (CLT) are more common in the United States. The U.S. Institute for Community Economics defines a community land trust as *"a non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents."*

Most examples of land trusts for housing in Canada are in their very early stages, so it is difficult to properly assess how effective they have been. CMHC research found two principal models:

- cooperative CLTs, where the goal is to promote long term affordability of co-op housing, and help coops maintain their non-profit status; and
- lease-to-own CLTs aiming to assist low-income households move into home ownership.

The CMHC research, dated April 2005, identified cooperative CLTs in Toronto, Montreal and Vancouver. Lease-to-own CLTs were identified in Edmonton, Winnipeg and Salt Spring Island.

Key features of Canadian CLTs were identified as follows:

- Non-profit status, incorporated as a society or a corporation. Several are registered charities;
- Democratic control formed at the grassroots level and controlled by members;
- Land is owned by CLT but leased to third parties through long term lease agreements;
- Assurance that housing remains affordable by limiting resale value of homes and maintaining control of all housing transactions, while retaining a portion of any appreciation of the housing.

CMHC research also concluded that certain elements are critical to the success of CLTs for housing:

- The must have a sustainable business plan;
- Require strong leadership and administration;
- Must achieve community support;
- Focus on education and outreach to communicate the need for affordable housing;
- Feature community partnerships;
- Require funding and capitalization;
- Achieve capacity building;
- Rely on a national network and technical assistance;
- Must have government support.

The Central Edmonton Community Land Trust acquires older homes in the City's central area and renovates them to rent to households that are at core need income levels with a 5-year plan rent-to-own plan.. There has been difficulty with preparing these low-income tenants for ownership within a 5 year period. None of the households engaged in the housing program has achieved home ownership and a 10-year rent to own plan is being considered. The Land Trust has recently recognized the need for full time staff and hired an executive director. Established in 1997, by 2004, there were 22 homes in the CECLT inventory. Building revenue sources and helping households move towards ownership are challenges.

The Vancouver Community Land Trust attempted to work with housing cooperatives in the late 1990s, offering to acquire and manage their land. However this met with limited success as housing cooperatives were already non-profit agencies, and selling land to the CLT would remove their greatest asset. There has been very little government funding available for housing cooperatives in the last decade or more.

¹ April 2005, CMHC, Research Highlight, Socio-Economic Series 05-010, "Critical Success Factors for Community Land Trusts in Canada"

The Saskatoon Housing Initiatives Partnerships (SHIP) has identified the creation of a community land trust for affordable housing as a priority, but has not yet seen results. SHIP was created in 2000 to act as an intermediary between financial resources and the creation of affordable housing. In a 2006 report on SHIP Initiatives, the Land Trust was identified as the most easily understood and saleable of the three components of the Housing Investment Fund under SHIP. Its status is in the creation stages: finalizing a business plan; working through incorporation; and applying for charitable status. The idea is that by engaging key stakeholders in a land trust, more land resources and funding will become available for affordable housing.

The Calgary CLT was identified by CMHC as a facilitative CLT that brings together tools and resources to provide affordable housing, but does not develop or manage housing on their land, bringing in partners with the capacity to do this instead. The Calgary CLT was first contemplated in 2001, became incorporated in 2002 and received charitable status in 2004. It is now pursuing an amendment to the Income Tax Act to enable it to accept donations of land. Matthew McNeil, the consultant behind the Calgary example, stressed the importance of the strategic partnerships that the Trust must build within the community; and while he felt that the model has been successful, he was clear that building a cohesive board and achieving an understanding of the need for affordable housing was an investment of time and effort. The Land Trust web site now reports that it has received \$150,000 in cash donations, has a land inventory valued at \$1,000,000 and has housed 27 families with an additional 15-20 new homes being built.

HOUSING RESERVE FUND:

Kelowna's Housing Opportunities Reserve Fund was created in 2000, based on existing models in communities like Saskatoon, North Vancouver, Surrey and others. The main purpose of the fund was to acquire and lease land for affordable housing, which is exactly what a land trust does. The difficulty has been achieving sufficient funds to actually invest in land.

In Saskatoon, the results generated by the housing reserve fund are significant, but at the same time the City is clear that it does not manage housing. While Saskatoon supports both the Saskatoon Housing Initiatives Partnership, which is currently creating a land trust, as well as the Quinte Development Corporation², the most impressive results are generated through the housing reserve fund. The following paragraph from the City of Saskatoon web page summarizes these results:

Approximately \$7.2 million has gone into the reserve since 1987, including a one time initial contribution of about 5.2 million, and about \$6.4 million has been spent on housing activities since then - a total of 1,328 housing units, including social (public) housing, private sector market affordable housing, and new homeowner co-operatives.

The Reserve has also supported other activities related to building the capacity of the community to meet housing needs, including providing the initial funding to establish the Housing Facilitator position, funding to help the Planning and Building Department establish a Social Housing Database, and purchase of land for demonstration projects.

The Saskatoon website also states that the fund is unique in Canada and operates much like a Housing Trust. Funds are not derived from increased taxation, but from revenues representing a portion of the proceeds generated from the sale of City-owned land. ***In fact, this was the model upon which the Kelowna Housing Reserve Fund was largely based.*** Specifically:

Funds for the reserve are generated from a portion of the revenues from the sale of City owned lands. The City of Saskatoon is the only City in Canada that has maintained and expanded its role as a land bank. This is not a levy on top of the sale price of land, but is a redirection of the "profits" from land sales - the difference between the original cost of purchase and servicing and the market sale price.

² Focuses on ownership and has help 70 families own a home.

The most significant increases to the City of Kelowna fund have been derived from portions of the proceeds of land sales. We have not created a policy to specifically direct funds from land sales into the housing reserve fund, but this could be investigated in more detail and brought back to Council. Major contributions to the fund are summarized below:

• Sale of Morrison and Richter Property	\$288,269
• Sale of 260 Franklyn Road	\$251,001
• Community donations	\$2,006
• GST rebate	\$150,000
• Re-allocation of housing project money (2002)	\$5,149
• Donation – Brandt's Crossing	\$100,000
• Budget Allocation 2006 & 2007	<u>\$200,000</u>
▪ TOTAL	\$996,425

Up to the present, however, there has simply been insufficient investment in the fund and insufficient time to achieve the results that have been achieved in Saskatoon and in other communities which have dedicated funds and land at a much earlier date than Kelowna.

Creating a community land trust means investing more time to create the structure of governance for the trust and therefore delaying the generation of results in the form of affordable dwellings. Kelowna has defined its housing need, created the housing reserve fund and indicated a desire to focus on acquisition and leasing of land to contribute to the supply of affordable housing.

It has begun this process with the land for the 30 unit apartment building funded by the Province on St. Paul St.. In addition, 11 apartments are proposed by the Kelowna and District Society for Community Living on Fuller Ave. on the site the City leases to this Society at minimal cost. With this and the Housing Reserve Fund now sitting at close to \$1,000,000, *Kelowna has generated more money and similar housing results to the Calgary Community Land Trust in the same period of time.*

Time and money need to be spent on generating more results. Monitoring of this work will help to determine the need for more resources.

CITY OWNED LANDS AT PRESENT:

Staff has reviewed the inventory of City-owned lands. Very few parcels are actually available and suitable for housing, aside from the KSS site. Most land is committed to other uses. Acquisition of land is truly necessary in order to embark on future housing projects using City-owned land or even contemplate the creation of a land trust.

ADMINISTRATION:

Both CLT structures and municipalities truly need to resource efforts towards generating affordable housing with staff, as well as funding. Edmonton's CLT has hired staff to administer its 22 units of housing, as well as to continue to increase its inventory. Saskatoon's housing efforts have been implemented by funding an administrator from the housing reserve fund. Vancouver's housing department has 20 staff. Edmonton, Calgary and many other large to mid-size cities have housing departments with staff.

SUMMARY:

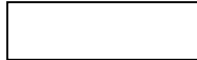
Investigation into Community Land Trust shows that they require about 2 or 3 years to establish, must then build credibility and understanding of the affordable housing issue in order to get community support, need significant funding and land, require government support, need an administrative structure, including staff, and are slow to generate results in the form of dwelling units. In cities where affordable housing has been resourced for a longer period of time than in Kelowna, a housing reserve fund has actually generated greater results than a community land trust. Compared to CLTs, municipalities have the following advantages:

- long term credibility
- the ability to issue income tax receipts for donations of money and land,
- the expertise to acquire and lease land,
- financial structure in place.

Finally, based on existing models of local government strategies to generate affordable housing, the bottom line is that it may be premature to consider a community land trust for Kelowna. The City must first show leadership by supporting and resourcing its policy direction and funding for generating affordable housing. Recommendation 2 of the AFSN Task Force to create inclusionary housing policy included a cash contribution in lieu of affordable housing as an option for developers. This would be a source of funding to enable the City to acquire land and lease it in a similar fashion to a CLT, but on a much shorter timeline. Other sources of funding, such as policy for revenue from City land sales, need to be investigated and administrative structure in the form of additional staff is needed to increase the supply of affordable housing in the city. Council also needs to stand by its previous commitments to allocate funds annually as part of the budget process to the Housing Opportunities Reserve Fund.

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Approved for Inclusion



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