

CITY OF VERNON  
AFFORDABLE HOUSING COMMITTEE

# ATTAINABLE HOUSING STRATEGY

This Strategy has been prepared by Neilson-Welch Consulting Inc. (NWCi) under the direction of the City of Vernon Affordable Housing Committee. The Strategy is presented for discussion with, and for the sole use of, the City of Vernon. No representations of any kind are made by NWCi to any party with whom NWCi does not have a contract.

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## SUMMARY OF RECOMMENDATIONS

The recommendations that comprise the *City of Vernon Attainable Housing Strategy* are presented and explained in section 5 of the report. They are summarized here as follows:

### SHORT-TERM (2008) 5.2.1 Restructure DCCs

It is recommended that the City of Vernon undertake a comprehensive re-design of its DCCs aimed at maximizing equity — that is, aimed at establishing charges that equitably reflect the relative impacts on infrastructure of different types of housing units.

In an effort to provide some immediate benefit, it is recommended that the current DCCs be restructured in two stages:

- > an interim restructure to be undertaken in the immediate term
- > a comprehensive restructure to be initiated at the completion of the current Plan Vernon OCP exercise

### 5.2.2 Review Parking Requirements

It is recommended that the City establish a policy aimed at identifying situations in which to relax existing parking requirements.

### 5.2.3 Increase/Expand Permitted Types of Housing

It is recommended that the City review its zoning regulations for the purpose of increasing the number of zones in which affordable (attainable) housing types are included as permitted uses.

### 5.2.4 Other

It is recommended that the City, in its amended DCC bylaw, waive DCCs at the time of collection for non-profit rental units.

It is recommended that the City dissolve the *Assisted Living Reserve Fund* and use the existing balance of monies (\$500,000) to:



- > assist the *Vernon & District Community Land Trust* in its efforts to acquire land for non-market housing, AND/OR
- > support other efforts taken by the City or non-profit organizations to leverage public or private contributions for the development of non-market housing units

LONGER-  
TERM  
(2009-2011)

**5.3.1 Consider Inclusionary Zoning**

It is recommended that the City examine the merits and feasibility of developing an inclusionary zoning program.

**5.3.2 Examine Mixed-Use Developments and Revitalization Tax Program**

It is recommended that the City, as part of a future downtown planning review, examine:

- > how to better promote mixed-use developments (i.e., determine what is needed for them to occur)
- > the potential for, and value of, designating a portion of the downtown Vernon as a "revitalization area" under section 246 of the *Community Charter*

MONITORING  
PROGRESS

**5.4.1 Appoint Affordable Housing Committee to Monitor Progress**

It is recommended that the City appoint the Affordable Housing Committee to develop and undertake a program to regularly monitor the progress achieved under the *Attainable Housing Strategy*.



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- Appendix 2 Record of Forum #2
- Appendix 3 Open House Presentation



# 1. INTRODUCTION

## 1.1 BACKGROUND

In recent years, the price of rental and ownership housing in the City of Vernon has increased significantly, as it has throughout the Okanagan and in other high-growth areas of British Columbia. As prices have increased, so too have concerns over affordability expressed by residents, employers, elected officials and others. Vernon, it is feared, is on its way to becoming a community in which young professionals, wage-earners, families, persons on fixed and/or lower-than-average incomes and others will be unable to afford a home.

The implications of a crisis in housing affordability are well-understood by civic leaders from all sectors. The inability of people to attain housing:

- makes it difficult for workers to move to the area, which, in turn, exacerbates existing labour shortages
- adds stress to families and others who are forced to spend a disproportionately large share of their incomes on shelter (leaving less money for other essentials)
- frustrates efforts to build a diverse community with a range of household types and income levels
- impacts negatively on individuals' self-esteem, sense of security and dignity
- in general, undermines the community's social and economic stability

In February 2006, Vernon City Council established the City of Vernon Affordable Housing Committee to study the growing housing affordability situation in Vernon, and to advise the City on courses of action it could consider as part of a broader community effort to enhance attainability. At the same time, a collection of community service organizations in Vernon established Partners for a Safe and Healthy Community. Within Partners, a Housing Action Team was created to identify initiatives that the community, outside of City Hall, might take as part of a broader effort. Early in its work, the specific initiative of a land trust to promote the development of new, non-profit housing units was promoted and, ultimately, taken on by the Team.

The City's Affordable Housing Committee and the Partners' Housing Action Team both recognized that while their separate initiatives were useful, what was needed was a broader, high-level strategy to guide the community in its efforts to make housing more attainable to more residents. Together, the groups applied to the Union of British Columbia Municipalities (UBCM) for funding to create such a strategy. In early 2007, UBCM agreed to the



request and provided a grant of \$35,000 to the City of Vernon to develop a *City of Vernon Attainable Housing Strategy*. \$30,000 of the total was used to retain Neilson-Welch Consulting Inc., an Okanagan-based local government consultancy, to work with the Affordable Housing Committee in developing the *Strategy*.

## 1.2 PROCESS

From the outset, the development of the *Vernon Attainable Housing Strategy* was viewed as an undertaking of and for the broader community. Accordingly, the involvement of the broader community throughout the development process was important to ensure.

The process consisted of five stages:

- *Stage 1: Background Research* — In this first stage, the consultant conducted background research in order to fully understand the attainability challenges in the community. Research included a review of the all of the available statistical data on housing in Vernon, and on Vernon's households. Sources of such data included Statistics Canada, BC Stats, Canada Mortgage and Housing Corporation (CMHC), Okanagan-Mainline Real Estate Board, and the City of Vernon.

The research also included face-to-face interviews with a wide range of individuals and groups who have a direct interest in housing matters in Vernon (i.e., housing stakeholders). Included were developers, real estate professionals, members of the Affordable Housing Committee (including elected officials), city planners, non-profit economic and community service organizations, and housing market researchers (e.g., CMHC, Okanagan-Mainline Real Estate Board).

At the end of stage 1, all of the consultant's findings were presented to and discussed with housing stakeholders at the first of three Stakeholder Forums. Stakeholder Forum #1 took place on June 27, 2007.

- *Stage 2: Review of Measures* — Once the attainability challenges facing Vernon had been set out and understood, it was important to identify possible measure to address the challenges. A list of measures was put together based on the consultant's own experience, input from persons and groups interviewed in Vernon, and research into ongoing and past efforts in other communities



(such research included interviews with officials in other communities).

The complete list of possible measures was presented to and discussed with housing stakeholders at the second Stakeholder Forum on September 26, 2007. At that Forum, participants selected specific measures as short-term priorities for the community.

- *Stage 3: Present to Public* — On November 15, 2007 the Affordable Housing Committee sponsored a two-hour Public Open House. For the first hour, attendees were invited to review, at their own pace, a series of poster boards that outlined the development of the *Attainable Housing Strategy* and the proposed measures for the *Strategy*. In the second hour of the Open House, the consultant, on behalf of the Committee, made a presentation on the *Strategy*, and answered questions from the public. Over 200 people attended the event.
- *Stage 4: Outline Draft Strategy* — On December 6, 2007 the third and final Stakeholder Forum occurred. At this event, the consultant presented to and discussed with participants the draft *Strategy*. Following the Forum, the Attainable Housing Committee met to review the draft.
- *Stage 5: Present Strategy to Council* — On January 14, 2008 the consultant, on behalf of the Committee, will be presenting the *Vernon Attainable Housing Strategy* to City Council. The *Strategy* will be accompanied by a Committee recommendation.

### 1.3 ORGANIZATION OF REPORT

This report sets out the *City of Vernon Attainable Housing Strategy*. Section 2 of the report defines what is meant by "attainability", and identifies the purpose and focus of the *Strategy*. Section 3 speaks to the housing attainability challenges in Vernon. Data and interviews on housing in Vernon are reviewed, and the economics of private sector housing development are explored. Section 3 also contains a discussion on the particular challenge of providing purpose-built rentals, and on the issue of forecasting demand.

Section 4 — the bulk of the report — begins by identifying some guiding principles that, taken together, help to frame the *Strategy*. The specific measures to consider for the *Strategy* are then presented and assessed.

Section 5 sets out the recommended actions that make-up the *Strategy*. Short-term priorities identified by participants at the second Stakeholder



Forum, and endorsed by the Affordable Housing Committee, are listed and explained. Longer-term priorities are also put forward. The importance of regular monitoring is explained, and some items to consider in developing a monitoring program are presented.

*Appendix 1* of the report presents the Record of Forum #1; the Record of Forum #2 is contained in *Appendix 2*. The Open House presentation slides are presented in *Appendix 3*.



## 2. ATTAINABILITY

### 2.1 DEFINING ATTAINABILITY

The term “attainable housing” has two different meanings, or uses. In a narrow sense, attainable housing conforms to the standard definition of affordable housing. This definition, which was developed by Canada Mortgage & Housing Corporation, holds that housing is affordable (attainable) when it consumes no more than 30% of a household’s gross, pre-tax income. The definition makes use of the term “core housing need”: a household is determined to be in a state of core housing need when it is required to spend in excess of 30% of its income to secure (attain) housing that is safe, in a reasonable state of repair, and large enough to accommodate the household’s members. Households that *choose* to spend more than 30% of their income on housing, it should be noted, are not considered to be experiencing core housing need. Households that receive non-market (i.e., subsidized) housing are also not considered to be in core housing need (rents for this type of housing are typically capped at a percentage — 30% — of incomes). The definition of affordable housing refers specifically to market housing, both ownership and rental.

In a broader sense, the term attainable housing is used, without reference to the CMHC affordability metric, to describe the ability of households to enter, and graduate to successively higher levels of, the local housing market. Implicit in this usage of attainability is the idea that a range of housing options (type, size, tenure, cost) exists in the local market. Households at various income levels can find and secure (attain) suitable housing, and can ultimately advance to a different level.

The broader definition of attainability, which does not rest on the CMHC affordability metric, guided the development of the *Vernon Attainable Housing Strategy*. The broader definition was chosen primarily because it recognizes the housing needs of a range of income groups and households in Vernon, including those who would be considered moderate- or middle-income. The CMHC definition, by contrast, implies a narrower focus on the specific needs of the lower income groups. To be sure, the needs of these groups are important, and will be addressed through the *Strategy*. But the needs of moderate-income families and young professionals are equally important to Vernon. The broader definition, it was felt, would encourage the developers of the *Strategy* and subsequent decision makers to consider the fuller range of needs.

This broader definition, it is interesting to note, is consistent with a definition of attainability used by the BC Government. BC characterizes attainable housing as:



"... market housing that is:

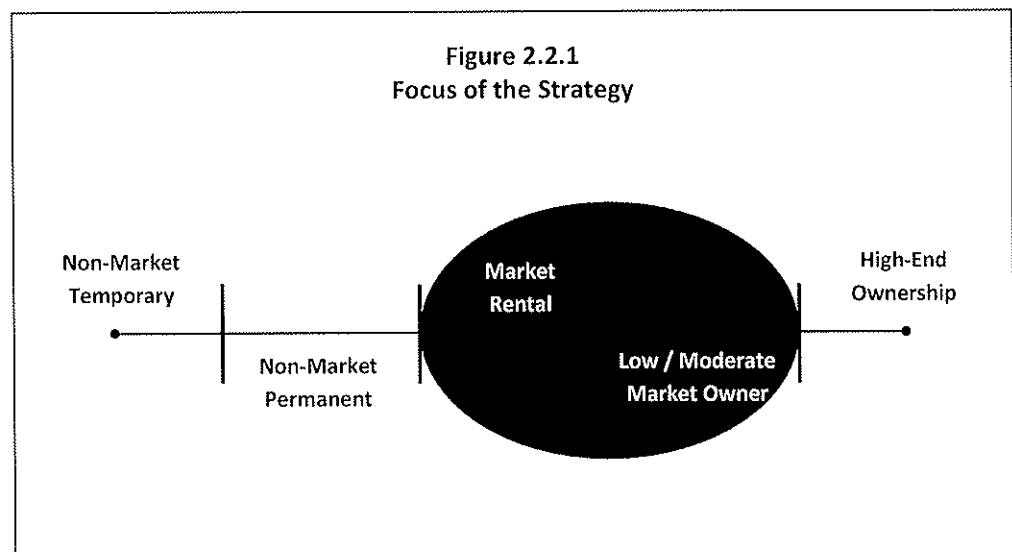
- > affordable to households with a range of incomes, but most often at the low or moderate end of the scale;
- > provided without ongoing senior government subsidy"

## 2.2 PURPOSE AND FOCUS

Put simply, the purpose of the *Attainable Housing Strategy* is to set out measures that the City of Vernon and the community can pursue in an effort to increase the supply of market housing units that are attainable to households at a range of incomes, particularly those at the lower and moderate levels.

The principal focus of the *Strategy* is market housing — that is, housing that does not receive ongoing government subsidies. Non-market housing, which is often referred to as social housing, and which includes a range of housing types that are geared to incomes, is not the principal focus of the *Attainable Housing Strategy*. Some of the measures laid out under the *Strategy* will result in additional non-market units. These units are not, however, the *Strategy's* priority.

Figure 2.2.1 presents the housing spectrum. The bulk of the measures put forward by the *Attainable Housing Strategy* aim to increase the supply of housing in market rental and low/moderate market ownership parts of the spectrum.





### 3. THE CHALLENGE IN VERNON

#### 3.1 WHAT THE DATA SAY

What are the specific housing attainability challenges facing Vernon? In exploring this question, it is useful to begin by reviewing some of the key demographic, income and housing data for the community.

The data presented here are taken from Statistics Canada, BC Stats, BC Housing, CMHC and the City of Vernon.<sup>1</sup> Not all of the sources, it should be noted, provide data for the same years, or for the same specific geographic area (e.g., City of Vernon vs. North Okanagan). As well, many figures from the recent 2006 Census are still being published. Despite these drawbacks, however, the data are useful in pointing out key attainability challenges. Consider the key findings in Figure 3.1.1 (all figures are the most recent available).

**Figure 3.1.1  
Key Findings**

Finding	Explanation
Relatively high-growth community	<ul style="list-style-type: none"> <li>• between 1996 and 2006, Vernon's population increased 11% to 35,994</li> <li>• the increase has been fuelled by Vernon's lifestyle, climate and economy, all of which have attracted many to the community</li> <li>• population increase has resulted in higher demand for housing, which, in turn, has helped to increase housing prices</li> </ul>
High median age	<ul style="list-style-type: none"> <li>• 18% of Vernon's population is over 65 years, a figure that is considerably higher than the provincial average</li> <li>• suggests that there is a demand for a variety of smaller units</li> </ul>
Lower than average household size	<ul style="list-style-type: none"> <li>• 69% of households in Vernon are 1 or 2 person; the provincial average is considerably lower at 61%</li> <li>• supports earlier point that a variety of smaller units is needed</li> </ul>
Relatively low incomes	<ul style="list-style-type: none"> <li>• 2006 median individual income was \$24,050 — 6% below the provincial average</li> <li>• 2006 median family income estimated at \$55,000,</li> </ul>

<sup>1</sup> A report prepared for the City in December, 2006 by the Sheltair Group (*Population and Housing Profile and Projection for the City of Vernon 2001 – 2031*) is particularly useful.



Finding	Explanation
	<p>also below the provincial average</p> <ul style="list-style-type: none"> <li>• the figures suggest a need for lower-cost, attainable housing types (such as multi-family units that are inherently more attainable)</li> </ul>
Existing stock mostly single-detached	<ul style="list-style-type: none"> <li>• 55% of the existing housing stock in Vernon consists of single-detached housing</li> <li>• single-detached housing is, by its very nature, less attainable than multi-family housing</li> <li>• considerable opportunity to improve attainability by promoting multi-family types</li> </ul>
Rentals a particular challenge	<ul style="list-style-type: none"> <li>• 65% of households in Vernon are owners; 35% are renters</li> <li>• among owners, about 20% are deemed to be in core housing need (i.e., spend more than 30% of their gross income on housing)</li> <li>• over 50% of renters are in core housing need</li> <li>• average monthly rental prices keep increasing</li> <li>• additional rental units are required</li> </ul>
Ownership prices high	<ul style="list-style-type: none"> <li>• 2006 median sale price for a single-detached home was \$309,000; the estimated median price for 2007 is \$375,000 <ul style="list-style-type: none"> <li>&gt; assuming a 10% down payment, 6.5% 30-year mortgage, and a dedication of 33% of income to housing costs, a household income of \$98,000 would be required for a median-priced unit in 2007</li> </ul> </li> <li>• In 2006, the median sale price specifically for newly-constructed and purchased single-detached units in 2006 was \$468,900; the same figure for the first 11 months in 2007 was \$529,900</li> <li>• estimated 2006 median sale for a townhouse was \$225,000; the estimated figure for 2007 is \$260,000 <ul style="list-style-type: none"> <li>&gt; household income of \$71,000 would be required for a median-priced unit in 2007</li> </ul> </li> <li>• measures to bring down median ownership prices (or slow down their increases) are needed to allow more households to attain ownership</li> <li>• emphasis needs to be on multi-family units, including townhouses</li> </ul>



### 3.2 WHAT PEOPLE SAY

As noted previously, several individuals and organizations involved in housing matters in Vernon were interviewed during the background research stage. Among those interviewed were:

- members of the Attainable Housing Committee, including the Mayor of Vernon and a Municipal Councillor
- members of Partners' Housing Action Team
- developers, including those active in Vernon, and board members from the Urban Development Institute (Kelowna Chapter)
- real estate professionals in Vernon
- directors of non-profit and public organizations active in the provision of non-market housing
- researchers from CMHC
- City planners

Over the course of the interviews, many impressions and insights were shared with the consultant. Key points are highlighted as follows:

- In general, those interviewed suggested that the *Strategy* should focus its efforts on improving *market* housing attainability — that is, making housing more attainable for households that rely on the private market for housing, both rentals and ownership. There are, of course, ongoing needs to address in the non-market part of the housing spectrum as well. But many agencies (e.g., BC Housing, Interior Health, Canadian Mental Health Association, etc.) exist in part to serve these needs. And, by all accounts, these agencies in Vernon are doing impressive work. Needs in the market rental and low/moderate income ownership parts of the spectrum have, in contrast, received less attention to date.
- Interviewees noted that difficulties faced by low- and moderate-income households in attaining housing have very real implications for the community and the local economy. As suggested earlier (see Background), such difficulties:
  - > make it difficult for workers to move to the area
  - > add stress to families and others who are forced to spend a disproportionately large share of their incomes on shelter
  - > frustrate efforts to build a diverse community with a range of household types and income levels
  - > impact negatively on individuals' self-esteem, sense of security and dignity
  - > in general, undermine the community's social and economic stability



- Several persons interviewed — in particular, developers and real estate professionals — cited the high cost of development as a major obstacle to the provision of lower-cost, more attainable housing. Construction costs were noted, but so too were "soft" costs including development cost charges (DCCs) imposed by the City.
- Many people talked about the importance of finding ways to ensure that efforts aimed at producing more attainable units and at lowering housing costs flow through to the consumers of housing. There was concern that reductions in development costs would be pocketed by developers and not reflected in lower costs to households. There were also concerns that lower cost units, once produced, would be "flipped" in the market and would quickly become unaffordable.
- There was broad recognition that the market housing attainability challenges will only be addressed by a variety of measures brought together under a comprehensive strategy. No one measure will solve the attainability problems. There is no "silver bullet".
- There appears to exist in Vernon broad support for higher density, compact development with a range of attainable housing types (including secondary suites and multi-family units). Related to this point is the recognition among people interviewed that low density, single-family developments (e.g., subdivisions) do not, in general, result in attainable housing for lower- and moderate-income households.
- Interviewees expressed the general view that there is much that the City and the community can do to promote the development of attainable housing. Interviewees supported the *Attainable Housing Strategy* initiative.

### 3.3 SUPPLYING THE MARKET

A key challenge relates to the economics of market residential development — in other words, the cost of supply housing in the market. In Canada, 95% of all households rely on the private sector to provide their housing.<sup>2</sup> Understanding the cost challenges faced by private developers in building moderately-priced units, therefore, is an important part of any effort to improve attainability.

The full cost of developing a housing project includes costs related to the:

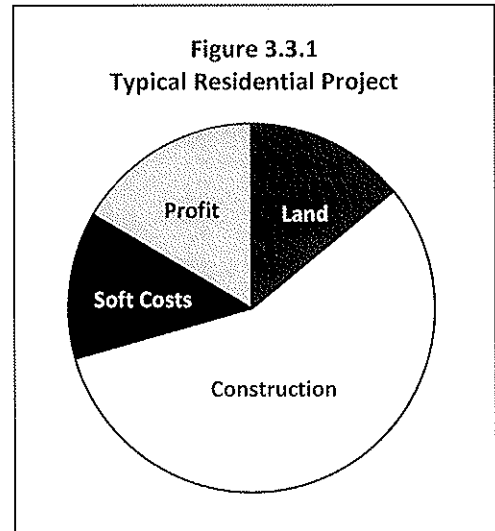
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<sup>2</sup> Hulchanski, J. David, *Rethinking Canada's Housing Affordability Challenge* (Centre for Urban and Community Studies, University of Toronto, 2005), p.1



- purchase of land
- construction of the actual units
- permit fees, development cost charges, financing, architectural and other consulting fees, marketing and a wide range of other items (these costs are collectively referred to as "soft" project costs)
- developer's profit, which adds about 20% to the total

Figure 3.3.1 shows how the total cost of a typical residential project in Vernon would be broken down. The most significant cost component is construction. In the past five years, construction costs have increased 1% per month. Today, wood-frame construction costs total about \$160 per square foot. The cost to simply construct (labour and materials) a 1,000 ft<sup>2</sup> townhouse, therefore, is about \$160,000. This cost does not include the cost of the land, the soft costs or the developer's profit.



At the first Stakeholder Forum, the consultant reviewed with participants various hypothetical multi-family project cost estimates similar to those that developers would use to determine the viability of potential projects (in the second Forum, a Urban Development Institute board member made a comparable presentation). Figure 3.3.2 shows a (revised) cost estimate for a hypothetical townhouse project developed today in late 2007. The project in this example would feature 25 units on a 1.4 acre site. The average size unit size would be 1,100 ft<sup>2</sup> (three bedrooms).

The cost to purchase a unit in this project would be around \$330,000, including GST. With a 10% down payment, a household would need an annual income of \$92,000. This income assumes a 6.5%,

**Figure 3.3.2  
Project Developed Today**

Component	Cost
Land Acquisition	\$1.1 million
Construction	\$4.4 million
Soft Costs	\$1.1 million
Developer's Profit	\$1.3 million
<b>Total</b>	<b>\$7.9 million</b>

Number of Units	25
Average Cost per Unit	\$330,000
Income to Purchase	\$92,000



25 year mortgage, and also assumes that the household were able to allocate one-third of its income to housing costs.

At \$330,000, units in this project would be unattainable to many lower- and moderate-income households in Vernon. Efforts can be made, however, to lower the per-unit cost and the income required to purchase a unit. For example:

- DCCs could be restructured to benefit smaller, more attainable housing types, including multi-family townhouse units
- where possible, on-site parking requirements could be reduced to allow for more units to be produced on-site (thus lowering the cost per unit)
- higher (bonus) densities could be allowed to reduce per-unit costs
- buyers could take advantage of new, longer amortization periods (e.g., 30 years)

Taken together, these types of efforts (and others) could help to make the units attainable to households with incomes under \$80,000.<sup>3</sup> Smaller units (e.g., one- and two-bedroom condos) could be made attainable to households with even lower incomes.

### 3.4 RENTAL HOUSING

Purpose-built rental housing projects<sup>4</sup> face particular challenges today, not only in Vernon, but throughout BC and across Canada. In the last few decades, very few such units have been constructed. Of those that have been built, most are high-priced and beyond the reach of those who typically rely on rental accommodation.

Why are so few low- and moderate-priced rentals being constructed? Perhaps the biggest reason relates to changes to senior government tax regulations and incentive programs. Until the early 1980s, senior governments provided capital gains tax and other incentives for new rental projects. In this earlier environment, it made economic sense for developers to construct purpose-built rentals. But in the early 1980s the rules changed: capital gains tax and other incentives were eliminated. Ever since, it has been extremely difficult to make a case for private sector rental development.

<sup>3</sup> The impact of individual measures on housing prices are shown in the presentation slides from Stakeholder Forum #1. The slides are included as part of the Report on Forum #1 in *Appendix 1*.

<sup>4</sup> Purpose-built rental projects are housing units that are developed specifically for the rental market. They do not include strata-titled units (e.g., condos and townhouses), or freehold units (e.g., single-detached homes) that owners may choose to rent out.



Other reasons are as follows:

- Rental developments often face neighbourhood resistance; such resistance adds risk to a project and further discourages private sector involvement.
- Returns from rental projects are realized over a much longer period of time than returns from ownership units. Some developers are comfortable with the longer time horizons; many, however, are not.
- Local regulations (e.g., parking, DCCs, zoning) add further to the cost of rental developments, as they do to the cost of ownership units.

In the current cost and regulatory environment, a new purpose-built rental building developed in Vernon today would need to charge monthly rents of about \$1,200 for a one-bedroom, 600 ft<sup>2</sup> unit. An income of \$54,000 would be needed to afford that rent. Most households in the rental market could not afford a unit at this price; but developers could not afford to provide the units for less. This conundrum is noted in the *Capital Regional District Affordable Housing Strategy*:

"If rents were to increase to the point where new construction might make sense, very few renters could afford to live in the new buildings."

The local efforts referred to in the previous section for ownership housing (and discussed in detail later in section 4 of the report) could help to bring down the cost of developing rental units, as well as the monthly rents and the incomes required to pay them. Indeed, a combination of local measures could probably help to lower per-unit costs, monthly rents and required incomes by up to 25%. Even with such local incentives, however, the situation for purpose-built market rentals will remain challenging until senior governments re-introduce the types of programs that were in place in previous decades.

It should be clarified that the dearth of purpose-built rental construction does not mean that there are no new units in the market available for rent. Many of the strata units that are developed in cities today are rented out by their owners immediately upon completion, often for extended periods. In many cities (e.g., Kelowna), it is estimated that 30-40% of all strata units are purchased for the purpose of being rented out. These units combined with secondary suites make up the secondary rental market, which can account for a significant portion of the overall rental market.<sup>5</sup>

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<sup>5</sup> A 2000 study commissioned by CMHC and Ontario Municipal Affairs found that the secondary market in Toronto accounted, at that time, for 35% of the overall rental market. The same figure for Hamilton was 48%; for Ottawa it was 50%.



Units in the secondary rental market are not taken into account by CMHC when it calculates its official vacancy rate figures.

### 3.5 FORECASTING DEMAND

In early 2007, Council's Affordable Housing Committee held an open house with representatives of the local development community to begin discussions on housing attainability. At that meeting, developers asked Committee members to provide a sense of the numbers and types of housing units that will be required in the community in the years ahead in order to meet attainability challenges.

Housing projections to 2031 were produced as part of the City's Plan Vernon OCP initiative by the Sheltair Group in its December 2006 report titled *Population and Housing Profile and Projection for the City of Vernon: 2001-2031*. The report makes some key findings:

- the City's total population is expected to increase from approximately 36,000 in 2006 to 51,600 in 2031; all of the growth is expected to result from net migration to Vernon
- growth in population (and thus number of required housing units) is expected to be most robust between 2006 and 2011, then taper off in later years
- the over-65 group will account for an increasingly large percentage of the total population — 26% in 2031 — and will, in absolute terms, almost double to 13,400 persons; the median age will increase as well, from 41.6 years today to 47.4 years in 2031
- as the population ages, the average household size is expected to decrease slightly and gradually from 2.3 in 2001 to 2.22 in 2031
- the total number of new units required between 2006 and 2031 is pegged at about 6,700; this total is broken-down by five-year increments as follows:
  - > 2,100 units from 2007-2011
  - > 1,400 units from 2012-2016
  - > 1,200 units from 2017-2021
  - > 1,100 units from 2022-2026
  - > 900 units from 2027-2031
- based on existing and anticipated dwelling-type preferences of various age groups, the share of single-detached units in Vernon is



expected to remain essentially unchanged through 2031 at 54% of the total number of units; similarly, ground-oriented multi-family units are expected to continue to account for about 20% of the units, and apartment/condos are expected to remain at about 25% of the total

The unit projections provided by the Sheltair Group report are helpful in setting out the amount and types of housing units that will be needed in future years. For the purposes of the *Attainable Housing Strategy*, however, it may be useful to attempt to fine-tune the numbers. Consider the following points:

- Vernon, as noted in section 3.1, has a relatively high proportion of households with two or fewer persons — 69% in total. It can be assumed given the aging population that the proportion of small households will remain high. A greater number of smaller units (in particular multi-family) as a proportion of the total may be required.
- Median household incomes in Vernon are lower than the provincial average. Household incomes are influenced by the make-up of the local economy, which in Vernon includes a sizeable (and growing) amount of tourism and other service-sector activities. Unless there is significant change to the make-up of the local economy in future years, it can be expected that median incomes will remain below those recorded for the province as a whole.

The implication of lower-than-average median household incomes for future housing development is that the market, to the extent possible, needs to provide a range of lower-cost housing options. The options to be developed will need to be almost exclusively multi-family in nature — the income and development cost figures provided earlier illustrate that single-detached housing is already unattainable to lower- and moderate-income households. In future years, this situation is not expected to change. It may be argued that the target for multi-family housing in Vernon should be considerably higher than the 46% of total units projected in the Sheltair Group report.

Beyond these numbers, it is very difficult to set specific, meaningful attainable housing targets. And, perhaps more to the point, it is not the role of the Committee to set specific targets. In Vernon, the supply of future housing units will be determined, as it has in the past, by the market. The aim of the *Attainable Housing Strategy* is to put in place measures that will create the conditions for the market to respond to the housing demands of a broad range of lower- and moderate-income households. The *Strategy* does not propose to direct developers, or to set quotas for different types of units



that the development community must meet. The *Strategy* proposes, more simply, to make it possible and attractive for developers to build a variety of unit types that households at different income points demand.



## 4. MEETING THE CHALLENGE

### 4.1 FRAMING THE STRATEGY

As noted earlier, the purpose of the *Attainable Housing Strategy* is to set out measures that the City of Vernon and the community can pursue in an effort to increase the supply of market housing units that are attainable to a broad range of households, particularly those at the lower- and moderate-income levels.

In building the *Strategy*, it is useful to begin by setting out some principles to focus and guide efforts. The following set of guiding principles emerged from discussions on the topic with participants at the second Stakeholder Forum:

- *Recognize continued dominance of private sector in supplying the market* — The primary role for the City is to create the conditions that will enable and encourage the private sector to provide more attainable market housing in Vernon. The City does not seek to become a direct supplier (i.e., developer) of housing.
- *No "silver bullet"* — There is no single measure that will address Vernon's housing attainability challenges; the *Strategy* will need to contain a variety of measures that work together to make a difference.
- *Focus on supply-side initiatives* — The measures to be included in the *Strategy* will be defined as "supply-side" measures — that is, measures that promote the development of additional supply in the market. Combined, the measures will seek to:
  - > eliminate "market imperfections", or "market distortions", which include regulations such as inequitable DCCs and restrictive zoning rules that discourage developers from building housing types that are attainable to a broad range of households<sup>6</sup>

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<sup>6</sup> Note that DCCs themselves do not represent a market imperfection (indeed, a lack of DCCs may distort the market by failing to assign the cost of servicing to land). It is *inequitable* DCCs that constitute the market imperfection. By failing to recognize that small, higher-density, multi-family units have a lower impact on infrastructure relative to that of other types of housing, inequitable DCCs discourage the development of such units (and, conversely, encourage the development of types that are attainable to fewer households).

For a general discussion of market imperfections and their impact on the development of affordable housing units, see the 2003 report by the TD Bank Financial Group titled *Affordable Housing in Canada: In Search of a new Paradigm*.



- > reduce the different types of risk (e.g., regulatory, political) the private sector typically faces in developing attainable housing types
- > provide financial incentives (e.g., density bonuses, parking relaxation) to developers of attainable housing

"Demand-side" measures aim to improve the housing consumer's ability to purchase market units — put differently, they aim to make the consumer's demand more effective. Typical demand-side initiatives include rent allowances and creative mortgages. There is a role for demand-side initiatives in the broader effort to improve attainability. The City of Vernon, however, is not in a position to provide demand-side relief. As such, the *Strategy* focuses on bringing together a variety of supply-side actions.

- *Recognize broader planning context* — In developing the *Attainable Housing Strategy*, stakeholders must be aware of the broader land-use planning context within which they are operating. Vernon's planning context is, at present, being evaluated and re-developed through the ongoing Plan Vernon OCP initiative. In September 2007, City Council released the Final Guiding Principles for the new OCP. Key ones include:
  - > the development of housing that meets the needs of the whole community
  - > the creation of a culture of sustainability
  - > the creation of strong, compact and complete neighbourhoods
  - > the provision of alternate forms of transportation
  - > downtown revitalization

Each of these OCP principles needs to be recognized and respected in the development of the *Attainable Housing Strategy*.

- *Vernon's issue to address* — Attainable housing is an issue that extends beyond Vernon: low- and moderate-income households in almost every high-growth area within BC (and beyond) are finding it difficult to secure affordable rental units and ownership housing. There is much that senior governments could be doing to improve attainability. Among other steps, efforts could be made to:
  - > eliminate GST completely on new units (at present, a portion of GST is rebated)
  - > eliminate property transfer taxes on the sale of lower-cost units (at present, only first-time buyers are exempted)



- > change capital gains tax laws and re-introduce other incentives to make new purpose-built rental development viable
- > lower high-ratio mortgage insurance premiums that buyers are required to purchase through CMHC
- > (re)enter, in a more aggressive way, the social housing market, recognizing that the provision of additional non-market housing will relieve demand for market units, particularly at the lowest-cost end
- > introduce income measures to enable lower-income households to better afford market housing

Ideally, senior governments would be taking these kinds of actions (and others). For the present, however, it has been left up to local governments and their communities to do what they can to address attainability challenges. To make a difference in Vernon, therefore, the City and the local community must take ownership of the issue.

- *Higher density, multi-family units are key* — The review of the housing market data in Vernon showed that single-detached housing is no longer, in general, an attainable option for most low- and moderate-income households. The hypothetical project cost estimates reviewed with participants at the first Stakeholder Forum support this conclusion (see slides in *Appendix 1*). Higher-density, multi-family units are inherently more affordable (and thus attainable to more households) than single-detached housing. The *Strategy* should focus on ways to promote the development of higher-density, multi-family types.
- *Short- and long-term actions required (but especially short-term)* — Because the process that has been followed to develop the *Attainable Housing Strategy* has been community-driven, there is, at present, a relatively high degree of awareness around housing attainability, and a high degree of momentum for the *Strategy*. To keep both awareness and momentum high, the *Strategy* must contain actions that can be implemented, and that can show results, in the short term.
- *Need to emphasize practicability* — The term "practicable" is defined simply as something that can be done. The measures that make up the *Strategy* must be practicable. The *Strategy* as a whole must recognize the resource constraints that exist within City Hall and the community. These constraints include money, time/energy and capacity. The *Strategy* must also recognize that there are certain things that municipalities cannot do, either because they lack the legal authority, or because they lack the resources. Cities, for



example, are very restricted in the types of assistance (e.g., tax exemptions, DCC exemptions) they can grant. And, cities the size of Vernon simply do not have the resources to provide rental or income assistance to individual households.

## 4.2 MEASURES TO CONSIDER

There is a wide range of measures that could be included in an *Attainable Housing Strategy* for Vernon. Figure 4.2.1 presents a list of measures that was proposed and discussed at the second Stakeholders Workshop. The list does not represent the definitive set of possible measures available. It represents, instead, a set of measures considered by the consultant to be most feasible for Vernon. It was compiled based on the consultant's experience, research on past and ongoing efforts in other centres, and input from stakeholders.

The text that follows Figure 4.2.1 examines each of the measures in detail. For each measure, a description is given, followed by an explanation of the measure's potential impact on attainability, and a discussion of any issues to consider. For some measures, other comments are also provided.

**Figure 4.2.1**  
**Measures to Consider**

Category	Measure	Comments
<b>Land-Use Regulations</b>	• Permitted housing types	> include affordable housing types (e.g., secondary suites, rooming houses, carriage houses, freehold townhouses) as permitted uses in more zones
	• Mixed-use development	> encourage development of residential units over commercial uses
	• Inclusionary zoning	> encourage (using density bonuses) the inclusion of low-cost units in market developments
	• Parking requirements	> reduce parking requirements, in specific cases, for multi-family housing
<b>Development Finance</b>	• Restructured DCCs	> consider use of DCC sectors, a density gradient, and/or floorspace charges to encourage multi-family
	• DCC forgiveness	> consider for rental units that are operated on not-for-profit basis



Category	Measure	Comments
Other Finance	• Tax incentives	> permissive exemptions for not-for-profit housing groups; revitalization exemptions for improvements in specific areas
	• Process fees	> can waive or reduce process fees for targeted types
	• Housing Trust Fund	> collect funds to sponsor development of targeted types of housing
	• Innovative mortgages	> Vancity's "Springboard Program" designed to get renters into ownership
Development Processes	• Fast-tracking	> fast-track rental housing projects, or other targeted types
Community Corporations	• Vernon & District Community Land Trust	> assemble land for use in the development of non-market housing
	• Hesperia Development Corporation	> City-owned land development company to facilitate development of housing for households with incomes <\$100,000
Protection of Existing Rental Stock	• Conversion policy	> protect the existing rental stock
	• Standards of maintenance	> keep existing rental stock safe and in good repair

#### 4.2.1 Land-Use Regulations

➤ **Measure**      **PERMITTED HOUSING TYPES**

**Description**      The City could change existing zoning regulations to allow, as permitted uses, a broader range of affordable housing types in a broader range of zones.

Certain types of housing are inherently more affordable than others. In general, the higher the density of living, and the smaller the unit, the lower the cost. Townhouses (strata or freehold), for example, are less costly to purchase or rent than single-detached units. And condos, apartments, secondary suites, carriage houses and rooming houses are less costly than townhouses.



Modular homes also tend to be more affordable than single-family homes because they have lower per-square-foot construction costs.

**Potential Impact**

When these types of units are not allowed as permitted uses in a zone, the developer has to apply for a change in zoning in order to develop them. The rezoning process adds cost to the development in the form of process fees and interest (carrying costs). The process also exposes the development and the developer to various risks, including:

- > lost opportunities that may arise during the rezoning process
- > public backlash to certain types of units (e.g., rooming houses) in certain areas
- > damage to the developer's reputation, should the rezoning fail
- > increases in development costs that occur while the development is awaiting approval, and that may render the development unfeasible even with approval

A decision by the City to proactively change zoning regulations to allow a broad variety of affordable types as permitted uses in a variety of zones would help to reduce these costs and risks, thereby making the development of such units easier. Such a decision by the City would also send a clear message to the broader community that affordable housing types are encouraged in Vernon.

**Issues to Consider**

Not all types of housing will fit into every residential zone in Vernon. Decision-makers will need to consider the impact on infrastructure as well as, in some cases, the impact on neighbourhood character.

**Other Comments**

The City of Vernon is, at present, considering changes that would legalize existing secondary suites in Vernon and allow for the development of new ones. The development of secondary suites is widely recognized as one of the most cost-effective ways of providing affordable housing. The development of new suites adds to the stock of affordable rental units. Suites also, however, serve as mortgage helpers to homeowners in whose homes the suites are located. City staff estimate that there are between 500-1,500 suites in Vernon today.

The changes being contemplated by Council would not allow



suites as *primary* permitted uses; suites would, however, be recognized as *secondary* permitted uses. As *secondary* uses, persons wishing to add new suites would be required to obtain development permits, but would not be required to seek rezoning (the development permit process is less onerous and risky for developers than the rezoning process). The changes being contemplated could also result in lower permit and DCC charges for suites, and will require owners of homes in which suites are located to live in the main unit or the suite itself. These changes should help to address concerns of both developers and neighbourhoods, and thus should encourage the further development of these units.

➤ **Measure**      **MIXED-USE DEVELOPMENTS**

**Description**      The City could allow, as a permitted use, multi-family housing over top of commercial units in key zones, particularly zones within the city centre. These types of developments are referred to as mixed-use.

**Potential Impact**      Mixed-use developments are popular and effective in larger cities as a measure to increase the supply of smaller housing units (including rental). Such developments are also useful at helping to revitalize downtown cores — a goal of Plan Vernon.

**Issues to Consider**      Most of the commercial zones in Vernon today already allow for multi-family residential over top of commercial. The relatively small number of existing units may be related to other regulations (e.g., high parking requirements, DCCs), and/or the perceived risks that may be associated with such developments (e.g., lack of market demand).

As Vernon continues to grow, as other regulatory impediments are removed, and as consumer attitudes change, mixed-use developments may become a larger part of the attainability solution.

➤ **Measure**      **INCLUSIONARY ZONING**

**Description**      Inclusionary zoning refers to the inclusion of lower-cost, attainable housing units in market housing developments.

Density bonusing is the mechanism that makes inclusionary zoning possible in BC. Under an inclusionary zoning program, a



municipality allows a developer to build at a higher density than would normally be permitted in the particular zone. The bonus density provided allows the developer to build more units on the site than would otherwise be possible, and thus enables the developer to generate a higher profit. The bonus density, as such, provides a real value to the developer.

Not all of this extra value, however, goes to the developer. Under the inclusionary zoning program, the developer agrees to share the extra value with the community by providing a certain number of lower-cost, attainable units in the development. The municipality typically determines the maximum sale price for these units, and implements the legal housing agreements necessary to regulate future price increases.

Current City of Vernon policy is to encourage inclusionary zoning. A formal program, however, has not been developed.

**Potential Impact**

If designed properly and applied consistently, an inclusionary zoning program can result in an increase in the supply of lower-cost units. And, because inclusionary zoning makes use of legal housing agreements to regulate future price increases, lower-cost units that are produced under the program remain attainable in future years.

**Issues to Consider**

For inclusionary zoning to work, the value of the bonus density needs to be determined carefully and accurately. The objective is to achieve a mutually beneficial exchange of extra density for attainable units. If the value of the density is not determined properly, there is a risk that the developer will either reject the program altogether, or realize a windfall.

The impact of inclusionary zoning on the City's resources needs to be considered. Effective programs require careful design, regular and active monitoring, and strong support both at the staff and political levels.

In some cases it will not be practical to include lower-cost units within the specific development. In these instances, municipalities require developers to either provide the units off-site (e.g., as part of a separate development), or to provide cash in lieu of the actual units. Municipalities can use the cash received to build attainable units, or to support non-profit builders.



**Other  
Comments**

In BC, density bonusing — the mechanism that makes inclusionary zoning possible — is a voluntary process in which developers may choose, or choose not, to participate. In several jurisdictions in the US, municipalities have the legal authority to require developers to include a certain number of low-cost, protected units within developments. BC municipalities do not have this authority — in BC, inclusionary zoning is, in a strict sense, a choice for developers.

Notwithstanding this point, there are some BC municipalities whose councils have chosen to use their zoning authority to, in essence, require developers to accept bonus densities and provide low-cost units and/or other amenities. In these places, density bonusing and inclusionary zoning have become *de facto* mandatory. This more aggressive approach requires strong and unwavering resolve on the part of councils.

Finally, several large cities in BC (e.g., Kelowna) are just now working through some of the difficulties in establishing effective inclusionary zoning programs that benefit both the community and developers. Vernon is in a position to observe the efforts in these other places and apply the best practices that emerge.

➤ **Measure**

**PARKING REQUIREMENTS**

**Description**

Parking requirements could be reduced in certain cases in multi-family zones in order to:

- > provide more building space on site for additional units
- > lower the construction cost associated with underground parking (in cases where such parking is provided)

**Potential  
Impact**

Research has shown that auto ownership (and the demand for on-site parking) drops as residential density increases. Research has also shown that parking standards which require developments to provide more parking than users actually demand can add significantly to the per-unit cost of such developments. Costs are added in three ways:

- > by requiring the developer to build fewer units than would otherwise be optimal (i.e., under-utilize the site) in order to provide space for parking
- > by requiring the developer in some cases to purchase additional land in order to provide the required number



of parking spaces

- > where underground parking is featured, by requiring the developer to build more underground spaces than are required (each such space costs about \$30,000 to provide)

In Vernon today, a one-bedroom unit requires 1.25 on-site spaces; a two-bedroom unit and a townhouse require 1.5 spaces. Where these requirements can be lowered, extra space would be available on site for additional units. Additional land would not need to be purchased, and parking construction costs (where applicable) would be reduced. In all, per-unit costs would be lower.

**Issues to Consider**

The biggest issue related to parking requirements concerns the potential impact of reduced requirements on traffic and roads infrastructure. If demand for parking is underestimated, a decision to reduce the parking requirements may be problematic.

To address this issue, Vernon may wish to reduce parking requirements selectively, using development variances. Reductions may make most sense, for example, in areas within and around downtown Vernon, where alternate transportation options (e.g., transit, walking) are available. Proponents who can make a good case for lower standards may warrant special consideration. The City may look to proponents, for example, to bolster their applications with research, or to propose creative ways to manage demand for on-site parking (e.g., car-share programs, or free transit passes for households).

Another issue concerns the question of whether and/or how the City should attempt to regulate the price of units that are made possible because of parking variances. In exchange for granting a variance, the City could require the developer to enter into a legal housing agreement that could regulate the sale price, resale price and/or monthly rent charged for a certain number of units. The agreement could also ensure that owners of units be able to rent their units to others.

Housing agreements are voluntary for developers. As a result, developers will agree to them when it makes financial sense to do so — that is, when the value gained from the variance exceeds the value surrendered through the agreement. Where possible, such agreements should be pursued.



**Other  
Comments**

The question of how the City can ensure that lower-cost units remain affordable goes beyond parking requirements and is a concern of many. Several people interviewed for the *Strategy*, and several people who attended the Open House, raised concerns that efforts to make housing more attainable in Vernon would be undermined by speculators who seek to flip lower-cost units quickly for substantial gain.

It needs to be remembered that the *Attainable Housing Strategy* relies on the private sector to provide market housing in Vernon. The *Strategy* aims to put forward measures that, taken together, will create the conditions for the private sector to provide a greater range and number of market housing units that are attainable to households at various income levels. The reliance on the private sector as the provider of housing means that the City will be limited in what it can do to impose restrictions on sale and resale prices.

The principal regulatory tool available to the City is the housing agreement, which is authorized under s. 905 of the *Local Government Act*. A housing agreement imposes restrictions on units, and is registered on title so that the restrictions remain in place as the units change hands.

Housing agreements may only be entered into by City bylaw, with the consent of the owner. The City, as suggested earlier, must provide sufficient incentive to a developer in order to obtain consent for an agreement — a variance and/or density bonus that adds real value to a development may provide the necessary incentive.

The reality in Vernon (as elsewhere) is that the future prices of most units will be determined by the market. To be sure, the risk of speculation exists. Speculation, however, is driven by a low supply of lower-cost units, and a high demand for them. If the measures in the *Strategy* succeed in encouraging the private sector to develop a greater number and variety of attainable housing units, the risk of speculation will be reduced.



#### 4.2.2 Development Finance

➤ **Measure**      **RESTRUCTURED DCCs**

**Description**      Vernon's existing DCCs could be restructured to more equitably reflect the relative impacts of different types of housing on infrastructure.

Local governments charge DCCs to recover, from development, the cost of infrastructure that is required to accommodate new growth. Road, water, sewer and drainage works can be funded using DCC revenues, as can the acquisition and development of parkland.

In setting DCC charges, local governments differentiate between different types of development. Development that has a high impact on infrastructure relative to others is typically required to pay a higher charge. Conversely, development with a relatively low impact on infrastructure pays a lower charge.

Vernon's current DCCs do not differentiate between different types of residential development — every unit of new housing must pay the same DCC. This situation assumes that all housing units have the same impact on infrastructure. This assumption is not correct. The impacts of residential developments on infrastructure vary according to:

- > density of development
- > location of development within a city (e.g., city core, town centre, suburb)
- > size of unit

A 600 ft<sup>2</sup> condo developed in a high-density zone in the centre of Vernon, for example, has a much smaller impact on infrastructure than a 3,000 ft<sup>2</sup> single-detached house in a low-density, suburban area of the city. The former, accordingly, should pay a lower DCC than the latter.

**Potential Impact**

In Vernon today, every unit of new housing must pay the same DCC irrespective of density of development, location within the city, and size of unit. This equality of charges is not equitable since, as noted, different types of units have different impacts on infrastructure, and DCCs are intended to reflect these differences.

Under the present system, developments of small, multi-family



units in high-density central locations (i.e., attainable units) are, in essence, expected to subsidize developments of large, single-detached houses in low-density suburban areas. The presence of this subsidy adds to the cost of developing smaller, attainable units, and thus discourages their development. And, on the other side of the equation, the subsidy lowers the cost of developing larger, unattainable units, and *encourages* their development.

If the current DCCs were changed to more accurately reflect relative impacts on infrastructure, smaller, multi-family units located in high-density central locations would pay considerably lower DCCs than larger, single-detached units in low-density suburban areas. The changes would eliminate the existing subsidy, lower the cost of developing attainable units, and provide an incentive for their development (or, at the very least, remove a disincentive to their development).

**Issues to Consider**

The Ministry of Community Services has a *DCC Best Practices Guide* that was created (and is kept current) by a consortium of municipal finance officers and members of the development community. The methodology presented in the *Guide* should be followed closely when developing a new program.

When developing a new set of charges, density, location within the city, and size of unit should be considered. Density and size of unit (i.e., floorspace), in particular, are identified as best practices in the Ministry's *Guide*. A DCC program based on either (or, in some cases, both) of these metrics is recommended.

Education and consultation are required. Some members of the public and the development community will mis-construe the changes as a subsidy for multi-family units, or a penalty imposed on single-family developments. The City, with the aid of the Urban Development Institute and others, will need to explain that the changes serve to make the system equitable for all development.

Within Vernon, DCCs are actually imposed by two different local governments: the City of Vernon and the Regional District of North Okanagan (RDNO). To make the changes most effective, the City will need to persuade RDNO to follow suit.

The process for developing a new DCC program requires time,



effort and cost. The City will most likely wish to retain outside consulting expertise to assist in program development.

**Other  
Comments**

DCCs are often identified as an important issue in discussions on housing attainability. In the Vernon discussion, the importance of DCCs is particularly heightened because of the lack of equity in the current charges. Restructuring the DCCs will help to improve attainability. It must be remembered, however, that no one, single measure will solve the attainability problem — there is no "silver bullet". Restructured DCCs will make a difference as part of a broader, comprehensive approach. Alone, their impact will be incremental.

➤ **Measure**      **DCC FORGIVENESS**

**Description**

The *Local Government Act* allows local governments to reduce or eliminate DCCs specifically (and only) for non-profit rental units. Foregone revenues are recovered from general taxpayers, not other growth.

**Potential  
Impact**

Builders of non-profit rental units must overcome many cost barriers in their development efforts, including the cost of DCCs. Eliminating DCCs for such groups would make development of such units a little easier.

Non-profit rentals are non-market units, and thus are outside of the principal focus of the *Attainable Housing Strategy*. Efforts to provide additional permanent non-market housing, however, should help to relieve pressure at the lower end of the market.

**Issues to  
Consider**

The City of Vernon currently has a (Draft) *Assisted Living Policy* in place that outlines the City's role in assisting non-profit providers of affordable housing. A key part of the *Policy* relates to DCC forgiveness grants. The City will provide grants to providers of non-profit housing to offset the DCCs that the providers are required to pay under Vernon's DCC bylaw. The grants are paid from the *Assisted Living Reserve Fund* which was established in 2005. The *Fund* today has a balance of \$500,000. Under the terms of the *Policy*, the City may add up to 1% of general tax revenues to the *Fund* each year.

The *Reserve Fund*, as a mechanism to forgive DCCs, may not be necessary. The City could simply waive or reduce DCCs for non-profit units at time of collection under an amended DCC bylaw.



DCC revenues foregone by the City would be covered by general taxpayers in either case.

**Other  
Comments**

If the City were to forgive DCCs for non-profit rental units at time of collection, and not make off-setting grants from the *Assisted Living Fund*, how should the \$500,000 in the existing *Fund* be used? There are a number of possibilities:

- > The City could continue to use the remaining funds, as originally intended, to provide DCC grants. Once the *Fund* were depleted, the City could begin the practice of forgiving DCCs directly at the time of collection.
- > The monies in the *Fund* could be returned to their source — i.e., general revenues.
- > The monies could be used to provide additional incentives (on top of forgiven DCCs) to non-market rentals. The City of Kelowna, for example, provides lump-sum payments of \$5,000 per unit for non-profit units in addition to waiving DCCs.
- > The City could provide rent subsidies to individual households to enable them to afford market rents. Some larger local governments (e.g., Metro Vancouver) use this "demand-side" measure.
- > The monies could be used as seed capital for a new housing trust fund — that is, a fund that provides direct support to non-market housing developments.
- > The City could transfer the monies to the newly-established *Vernon & District Community Land Trust* (described later in section 4.2.5) to assist the group in purchasing land for non-market housing.

It is suggested that the City consider transferring the monies to the *Land Trust*. The following reasons support this suggestion:

- > The *Land Trust* is a community initiative that operates independent of City Hall. The City's preference is to have independent organizations, rather than the City, directly involved in the building of attainable units (the City's role is to facilitate the development of such units, not to build them). The \$500,000 would provide much-needed



support to help the *Trust* move forward.

- > The *Land Trust* is a "winner", worthy of City backing. A considerable amount of start-up work has been done already to ensure that the *Trust* is a success. The *Trust* has its own board of directors in place, its mandate clearly articulated, and its business plan underway.
- > The *Land Trust* needs land in order to fulfill its mandate. The funds could be used by the *Trust* to acquire land. Alternatively, the City could use the monies to purchase a site, then provide lease the site (60 year lease) to the *Trust*.
- > The funds would provide for impressive leveraging, enabling the *Trust* to engage BC Housing and others in new projects.
- > Non-market units produced with the involvement of the *Land Trust* would help to relieve pressure at the lower end of the market.

Whether or not the *Land Trust* emerges as the City's preferred recipient for the funds, the City should ensure that the monies, however they are spent, are used to leverage additional funding from other agencies, such as BC Housing and CMHC. These senior government agencies look to invest in non-market projects that have some form of contribution (land or money) already in place. The City's funds, whether spent through the *Land Trust* or in some other way, could provide the contribution necessary to attract these other players.

Finally — and for the purpose of clarity — it is suggested that once the \$500,000 is spent, the City dissolve the *Assisted Living Reserve Fund*.

#### 4.2.3 Other Finance

➤ **Measure** TAX INCENTIVES

**Description** The *Community Charter* gives municipalities the authority to provide specific property tax exemptions.

- > Section 244 of the *Charter* allows municipal councils to grant "permissive exemptions" to properties (including



housing developments) that are held by non-profit organizations.

- > Section 245 allows municipalities to provide exemptions specifically for heritage properties. Such properties may include residential uses.
- > Section 246 is a relatively new provision. It allows for councils to designate certain parts of the municipality (e.g., the downtown core) as "revitalization areas", and grant property tax holidays of up to ten years for new or improved projects within those areas. New attainable housing developments in such areas could benefit under this provision.

**Potential Impact**

Property taxes add to the price of rentals and home ownership. Incentives targeted at providers of affordable housing could improve attainability by lowering overall costs to the owner/renter.

**Issues to Consider**

It is quite common for municipalities to provide permissive exemptions to non-profit organizations under section 244 — indeed, the City of Vernon provides 100% exemptions to all social service agencies in Vernon. Impacts of additional exemptions on local government finances need to be considered carefully. Property taxes are by far the most important source of revenue for the city. Foregone revenues associated with exemptions must be made up from other sources, including other property owners.

**Other Comments**

The city could consider using its authority under section 246 to provide some assistance to developers of attainable market housing within a future designated revitalization area. The potential benefit of such a move, however, would need to be weighed carefully against the cost of establishing a revitalization exemption program. Heritage exemptions (section 245) are also possible to extend. The impact of these exemptions on housing attainability, however, would likely be negligible.

In general, Vernon (like other cities) will find itself limited to providing permissive exemptions under section 244, at least in the short-term. And, because these exemptions may only be granted to non-profit organizations (local governments cannot assist businesses), the ability of exemptions to encourage the development of additional attainable market housing is limited.



- **Measure**      **PROCESS FEES**
- Description**      Vernon could waive or reduce process fees for developments with attainable units, including rentals. Such fees include those for rezoning, development permits, development variances and building permits.
- Potential Impact**      Process fees add to the "soft costs" of development. Any reduction to such costs should, in theory, help to lower per-unit costs and improve attainability. In Vernon, however, process fees are not considered terribly high. As such, the impact of fee reductions or exemptions may be limited.
- Issues to Consider**      The impact of reductions or exemptions on city finances would need to be reviewed carefully in considering this measure.

If the city decided to grant exemptions or reductions, how could it ensure that savings were passed through the developer to buyers and renters? The city could rely on the market — the notion that in a competitive environment with increased supply, a developer who received a cost savings would be able and would choose to undercut competitors by selling for less. Alternatively, the city could require recipients of exemptions or reductions to enter into housing agreements which would regulate prices. In all likelihood, however, the benefit of reduced process fees to a for-profit developer would not likely be large enough on its own to persuade the developer to consent to a housing agreement.

- **Measure**      **HOUSING TRUST FUND**
- Description**      Housing trust funds are created by local governments or community stakeholder groups to assist in the direct development of lower-cost housing. Trust funds typically provide the seed money that housing organizations need to leverage other contributions as well as financing.

Housing trust funds have been used in the US for many years. They are becoming increasingly popular in Canadian cities that are struggling with housing attainability challenges. They can be used to target whatever housing needs are greatest in a community. Some funds support specifically the renovation of existing buildings. Others support the construction of new rental units, or particular types of units such as rooming houses.



In almost all cases, housing trust funds exist to support the development of non-profit, non-market housing.

**Potential Impact**

Housing trust funds can be very effective as catalysts in the development on non-market units. Their primary value is in providing the capital necessary to leverage other contributions. In Greater Victoria, each dollar granted by the *Capital Regional District Housing Trust Fund* in 2005 resulted in \$15 in development — a 1:15 ratio. In 2006 the ratio was 1:10.

The focus of housing trust funds is non-market housing, which is not the primary focus of Vernon's *Attainable Housing Strategy*. An increase in the supply of these units would help, however, to relieve demand at the lower end of the market.

**Issues to Consider**

The most effective trust funds have dedicated sources of revenue. In Langley, Colwood and Surrey, for example, the municipalities collect a fee for their housing funds from all new residential developments at the time of rezoning. Kelowna and North Vancouver District place a portion of municipal land sale revenues into their housing funds. The City of North Vancouver assesses a separate, dedicated property tax to raise monies for its fund. If Vernon were to establish its own housing fund, a dedicated source of revenue would need to be identified.

A governing body for a Vernon fund would also need to be identified (it is assumed that the city would not wish to govern and operate the fund itself). The *Vernon & District Community Land Trust* (see later) could conceivably take on the task; but the added responsibility could easily distract the *Land Trust's* board from its principal focus.

**Other Comments**

Housing trust funds and land trusts are quite similar in terms of purpose and function: both exist to help leverage public and private funds for the development of non-profit housing. The difference between the two is that land trusts provide land as the tool to leverage additional contributions, whereas trust funds provide money.

It is possible for the two vehicles to co-exist and complement one another. At the present time in Vernon, however, a new housing trust fund would more likely compete with the nascent *Land Trust* for resources and profile. For the time being, therefore, it is suggested that the city and the community direct their support and resources to making the *Land Trust* a success.



A housing trust fund can be considered at some future point.

➤ **Measure**      **INNOVATIVE MORTGAGES**

**Description**      Most of the efforts to promote attainable housing fall to governments to pursue — in particular, local governments. There are some measures, however, that other groups active in the local housing industry can take. Lenders, for example, can develop innovative financing tools to help buyers get into (attain) home ownership.

BC's largest credit union, Vancity, has taken the lead in developing such tools. One example is the "Springboard Homeownership Program", an innovative mortgage designed specifically to help lower-income individuals and families access market ownership housing. The target group for this tool is described by Vancity:

"You currently live in non-profit housing and are on a low income with no savings. You are ready to make the commitment to own a home, but need a structured plan to help you."

The mortgage can be used to finance 100% of the value of a home up to \$300,000. It consists of two parts:

- > an interest-free loan, payable over ten years, for a 20% down payment
- > a ten-year fixed mortgage, with interest payments only on the mortgage, amortized over 25 years

**Potential Impact**      Innovative mortgage tools are demand-side measures, intended to help consumers exercise more effective demand in the market. Developers note that if there is effective demand for smaller, low-cost units, the market will respond.

The Vancity Springboard mortgage is particularly helpful because it provides prospective owners with the down payment. The inability to save for a down payment is a major barrier to homeownership. The 20% down payment is also significant. Put simply, the higher the down payment, the lower the income required to purchase a home. For example:

- > a \$225,000 multi-family unit purchased with a 10% down



- > payment would require a household income of \$65,000
- > the same unit purchased with a 20% down payment would require a household income of \$60,000

**Issues to Consider** Vernon is not part of Vancity's service area at present. Local lenders who attended the second Stakeholder Forum noted, however, that it would be only a matter of time before local credit unions (and banks) developed and made available comparable products.

#### 4.2.4 Development Processes

➤ **Measure** **FAST-TRACKING**

**Description** The City of Vernon could treat certain projects as priority and place them on a fast-track within the development review system.

Priority projects could include those with protected units (i.e., protected through housing agreements), those that propose the development of purpose-built rental units, and multi-family projects with a mix of unit sizes. Priority projects could also include any development deemed particularly innovative — for example, one that included a car-sharing program.

**Potential Impact** In some larger cities, development reviews take a considerable amount of time. Such time adds to a developer's carrying costs, which in turn add to the cost of the units, thereby making them less affordable. Time savings can reduce carrying and per-unit costs.

In Vernon, developers agree that processing times at the City are already quite acceptable. The impact of a fast-track system, therefore, would likely be limited.

#### 4.2.5 Community Corporations

➤ **Measure** **HESPERIA DEVELOPMENT CORPORATION**

**Description** In mid-2007, the City of Vernon established the *Hesperia Development Corporation* (HDC). HDC was formed as a land development company to promote attainable housing through the development of housing options for families with total incomes under \$100,000. The City owns HDC, and Council is responsible for setting the corporation's mandate and



development objectives. The corporation, however, operates at arm's length to City Hall and is governed by its own Board of Directors.

The City has transferred 69 acres of City-owned land in the Okanagan Landing area of Vernon to *Hesperia*. The site is considered ideal for an innovative, complete-community development with 1,000 residential units. *Hesperia* itself will not actually build any of the units, but will instead serve as the land developer. In this capacity, HDC will set out a master plan and design criteria for the site, and will provide serviced lots for development by private sector builders. Lots will be sold and/or leased to developers at fair market value.

Ideas being considered to achieve this objective on the *Hesperia* lands include legal suites in most homes, carriage homes, smaller lot sizes, higher densities, unique building designs and innovative zoning.

**Potential Impact**

HDC's activities are intended specifically to facilitate the development of attainable housing in Vernon. The unit types and price ceilings envisioned by the company for the *Hesperia* lands speak to its objective of improving attainability.

By taking responsibility for setting out a master plan, for obtaining all necessary approvals, and for servicing the lots, HDC will be removing a certain amount of risk from the private developers who will ultimately build and market the units. HDC's assumption of some of the risk will help to attract builders to the project, and will keep overall development costs down.

**Issues to Consider**

HDC, like any development company, is subject to the City's OCP, as well as to the City's DCCs, permit application processes and all development standards. The fact that HDC is owned by the City does not exempt the company from these requirements.

Before any development of the *Hesperia* lands can begin, HDC must have the site designated for residential development in the current OCP process, and must apply to have the property rezoned. If all goes according to plan, HDC hopes to start development of the site in early 2009.

**Other Comments**

The emphasis of the *Attainable Housing Strategy* is on the private market — that is, finding ways to steer the market



towards providing more attainable supply. The City itself does not wish to enter the market directly as a provider. The City and community do, however, recognize the merit of complementing regulatory incentive-based and regulatory measures with targeted development activity. HDC was created as an independent land development company to engage in such activity.

➤ **Measure**      **VERNON & DISTRICT COMMUNITY LAND TRUST**

**Description**      VDCLT is a not-for-profit society that solicits donations of land for use in the development of affordable housing in the North Okanagan. The Trust was created in mid-2007 by Partners for a Safe and Healthy Community, a consortium of local service groups. In structure and purpose, the Trust was modelled after the successful Calgary Land Trust.

VDCLT is focused specifically on providing and holding lands — the construction and management of housing on the Trust's lands will be undertaken by other not-for-profit groups who will lease sites from the Trust. Importantly, all of the Trust's lands will be held "in trust", and will always be used solely for the purpose of providing affordable housing.

VDCLT is governed by its own independent board of directors which is made up of representatives of groups from the housing industry. Included on the board are realtors, lawyers, lenders, a planner, developers and others. The board has defined the Trust's vision as "a permanent supply of attainable housing for individuals and families in the North Okanagan".

**Potential Impact**      Land is a costly and necessary component of any housing project. Without land, many non-market housing developments cannot proceed, in part because they are unable to afford the land necessary, and in part because without land they are unable to secure contributions from other sources.

The leveraging value of the land component is considerable. Put simply, access to VDCLT lands makes it possible for not-for-profit builders to attract the interest of, and obtain contributions from, public agencies (e.g., BC Housing, CMHC) and private sources.

The housing units developed on land held by the Trust would be



non-market units. While not the principal focus of the *Strategy*, the development of such units will help to relieve pressure on market units, particularly those at the lower end of the market.

**Other Comments** VDCLT was formally incorporated in September 2007. At the time of writing, it is completing its business plan along with a communications plan for engaging the community. It is also meeting with governments to gain support for the Trust and its goals. Most importantly, the board is working to solicit donations of land.

#### 4.2.6 Protecting the Existing Rental Stock

➤ **Measure** **POLICIES ON CONVERSIONS**

**Description** Under provincial legislation, local governments must approve all proposed conversions of rental units to strata title. Several cities have put in place policies to guide councils in reviewing such proposals.

Most policies are tied to the official vacancy rate in the local rental market. A policy may state, for example, that proposed conversions will not be approved when the local vacancy rate falls below a certain level. Some policies also require decision-makers to take into account the views of tenants who would be displaced, as well as any provisions the proponent has made to assist displaced tenants in securing other housing.

In November 2007, the City of Vernon established a policy on conversions. The City's policy states that "no approvals for residential strata conversions be granted if the residential rental vacancy rate for Vernon, as determined by the Canada Mortgage and Housing Corporation, is less than 4%".

**Potential Impact** As noted earlier (see section 3.4), very few if any purpose-built rental units are being constructed today in Vernon, or for that matter in BC or across Canada. Current tax regulations and other factors challenge the financial viability of rental projects. With so few purpose-built rentals entering the market, municipalities are taking measures to protect the existing stock. Policies on conversions represent one such measure. In several cities they have worked to keep remaining units in the market.

**Issues to Consider** Policies on conversions restrict the ability of owners to change the tenure of their units in future years to adjust to changing



market conditions. The presence of such restrictions may discourage those developers who wish to build rental units from following through with their projects.

At present, of course, this concern is probably moot. The reality is that capital gains tax laws and other factors beyond local government control make it almost impossible for new purpose-built rental construction to occur. A municipal policy which serves to protect the rental status of existing units will not likely put a stop to new projects that would otherwise proceed.

One issue that is important concerns the maintenance of units that are forced, because of the conversion policy, to remain rental. There is a need for municipalities to ensure that such units are maintained in a state of good repair. The mechanism to provide this assurance is described in the next entry.

➤ **Measure**      **STANDARDS OF MAINTENANCE BYLAWS**

**Description**      Cities understand the need to protect not only the number of existing rental units, but also the quality of such units. Poor quality housing can be unsafe for tenants, and can be unsightly. Standards of maintenance bylaws set out minimum standards that apply to all premises (including single-detached homes) that are rented out.

Vernon City Council is presently reviewing a draft standards of maintenance bylaw for rental properties in Vernon.

**Potential Impact**      A standards of maintenance bylaw, properly enforced, will help to ensure that lower-cost (attainable) rental units remain viable living spaces. The bylaw will also address any issues of unsightliness that result from poorly kept buildings. Issues of unsightliness with one rental building affect the community's view of all rental buildings, and often exacerbate problems of NIMBYism. NIMBYism makes it more difficult to proceed with all efforts to develop lower-cost, attainable units.



## 5. ACTIONS TO TAKE

### 5.1 THE NEED TO SET PRIORITIES

As illustrated in the previous section, there are many measures that could be taken as part of an *Attainable Housing Strategy* in Vernon. Indeed, as revealed in the review of possibilities, there are many measures that are already being taken in the community, and there are others that are in the process of being developed. Such measures include the:

- creation of the *Hesperia Development Corporation*
- establishment of the *Vernon & District Community Land Trust*
- development of a policy on conversion of existing purpose-built rental units
- development of a standards of maintenance bylaw

Attainable housing is clearly an important issue to the City of Vernon and the broader community. Neither the city nor the community, however, has unlimited resources with which to address the attainable housing challenge. The *Strategy* must recognize this reality. It must accept that not every possible measure will be able to taken, certainly not at the same time in the short-term. It must be selective and identify the specific measures that the community believes will be most effective, and it must set out a schedule for implementing those measures. The *Strategy*, in short, must be practicable.

### 5.2 RECOMMENDATIONS — SHORT-TERM (2008)

At the second Stakeholders Forum, participants reviewed in some detail the list of various measures. At the end of the Forum, participants were asked to identify the three measures that, in addition to the initiatives already underway, should be treated as priority items. Each participant was given three votes to identify his or her choices.

The results of the voting are presented in figure 5.2.1 on the following page. As the results indicate, there was a considerable amount of consensus around the three measures that should be implemented in the short-term, ideally during 2008. The three measures are:

- Restructure DCCs to encourage smaller, higher-density, multi-family units
- Review (reduce) parking requirements for targeted types of housing
- Increase/expand permitted types of housing in various residential zones



Figure 5.2.1  
Priority Short-Term Actions

Votes	Measures*
15	Increase/expand permitted types of housing
3	Expand mixed-use developments (i.e., residential over commercial)
1	Develop inclusionary zoning program
17	Review (reduce) parking requirements for targeted types of housing
20	Restructure DCCs to encourage density, multi-family units, smaller units
1	Waive or reduce DCCs for targeted types of housing
7	Develop program of tax incentives for targeted types of housing
	Waive or reduce development process fees for targeted types of housing
2	Develop a Housing Trust Fund
	Develop a system of fast-tracking development applications for targeted types

\* Measures already being pursued represent existing commitments, and thus were not included in the priority-setting exercise. The measure dealing with innovative mortgages was not included because it is not a measure that the City or those involved in developing the *Strategy* are able to undertake.

### 5.2.1 Restructure DCCs

It is recommended that the City of Vernon undertake a comprehensive re-design of its DCCs aimed at maximizing equity — that is, aimed at establishing charges that equitably reflect the relative impacts on infrastructure of different types of housing units.

In developing its DCCs, the City should follow the methodology and best practices of the Ministry's *DCC Best Practices Guide*. In keeping with the advice in the *Guide*, the City should consider:

- the use of DCC sectors to differentiate between housing developments on the basis of location



- the establishment of a density gradient to differentiate between units on the basis of density
- the use of floorspace as a basis for charging units, particularly smaller ones

In order to make the changes most effective in terms of encouraging the development of attainable housing units, the DCCs imposed by RDNO should be also be restructured. The City will need to consult RDNO on this matter.

The City is presently involved in the Plan Vernon OCP exercise. The OCP that emerges from this exercise will lay out a long-term development plan for the broader community. Using this plan, the City will be able to develop a schedule of infrastructure works that will be required to provide for expected growth. This schedule of works will form the basis of the new DCC program.

Plan Vernon is not expected to be completed until mid-2008; development of the schedule of works required to provide for growth under Plan Vernon cannot begin until that time. There is a strong desire on the part of stakeholders to see changes to DCCs sooner rather than later. There is consensus among stakeholders that the current, inequitable DCCs cannot remain in effect for another full year, if not longer.

**In an effort to provide some immediate benefit, it is recommended that the current DCCs be restructured in two stages:**

- *Stage 1: Interim Restructure* — In early 2008, the City should consider undertaking an interim restructure, which would involve simply applying a density gradient to the existing DCC program (the City could use the City of Kelowna's existing four-level gradient). This interim measure would result in an immediate decrease in DCCs for smaller, higher-density housing developments, and a corresponding increase for larger, lower-density units. The overall result would be a more equitable set of charges that better reflects relative impacts on infrastructure. The changes would be revenue-neutral to the City.

As part of the interim restructure, the City should approach RDNO and seek similar short-term changes.

- *Stage 2: Comprehensive Restructure* — Once Plan Vernon has been completed, the City will be in a position to begin a comprehensive restructure of its DCC program, beginning with the creation of a DCC works schedule. This comprehensive restructure should follow the process and best practices of the Ministry's *Guide*.



### 5.2.2 Review Parking Requirements

**It is recommended that the City establish a policy aimed at identifying situations in which to relax existing parking requirements.**

It is expected that some but not all proposed housing developments in the City would be eligible for a relaxation (variance) of parking requirements. The policy should determine eligibility based on a variety of criteria, including:

- density of the proposed development
- size of proposed units
- proximity of the proposed development to established public transit service
- the inclusion of innovative programs (e.g., car-sharing program; free or discounted transit passes) in the development plans
- the developer's willingness to enter into a housing agreement for the purpose of regulating the sale and resale prices of a percentage of units in the proposed development

### 5.2.3 Increase/Expand Permitted Types of Housing

**It is recommended that the City review its zoning regulations for the purpose of increasing the number of zones in which affordable (attainable) housing types are included as permitted uses.**

The specific types of affordable housing units to target include:

- secondary suites
- carriage houses (a secondary dwelling)
- rooming houses
- modular homes
- freehold townhouses
- other

At the outcome of the study, the City itself should initiate the broad rezonings — the onus to rezone should not be left to individual land owners.

### 5.2.4 Other

**It is recommended that the City, in its amended DCC bylaw, waive DCCs at the time of collection for non-profit rental units.**

**It is recommended that the City dissolve the *Assisted Living Reserve Fund* and use the existing balance of monies (\$500,000) to:**



- **assist the *Vernon & District Community Land Trust* in its efforts to acquire land for non-market housing, AND/OR**
- **support other efforts taken by the City or non-profit organizations to leverage additional public or private contributions for the development of non-market housing units.**

The background to these recommendations was provided in section 4.2.2 under "DCC Forgiveness". The key points regarding the \$500,000 in the *Assisted Living Reserve Fund* are that the monies be used to leverage additional public (e.g., BC Housing, CMHC) and private contributions, and that the monies support the development of non-market units (the monies were collected for this purpose).

If the City chooses to assist the VDCLT, the City could simply transfer the funds to the organization, purchase a piece of land to donate to the organization, or purchase a piece of land for lease (e.g., 60 years) to the organization. The lease option may be most advantageous to the City, since it would enable the City to retain ownership over the land asset.

### **5.3 RECOMMENDATIONS — LONGER-TERM (2009-2011)**

#### **5.3.1 Consider Inclusionary Zoning**

**It is recommended that the City examine the merits and feasibility of developing an inclusionary zoning program.**

Over the longer-term, it may be useful for the City to develop an inclusionary zoning program under which developers would provide, within market development projects, a certain number of affordable, regulated units in exchange for bonus densities.

A properly-developed inclusionary zoning program provides benefit to both the City and the developer. The establishment of such a program is a difficult undertaking that will require considerable expertise. The City will need to engage a land economist to assist in determining the value of density, and the level of bonuses required in order to attract developers to the program. Implementation and monitoring of the program will require resources.

As noted earlier, several larger cities in BC are now working through some of the issues and challenges inherent in the development of an inclusionary zoning program. By waiting a few years, Vernon will be able to learn from the experiences of these other places. From what it learns, Vernon will be able to determine whether or not inclusionary zoning is a feasible and useful option. If it turns out indeed to be both feasible and useful, Vernon will be



able to incorporate into its own efforts the best practices developed elsewhere.

### 5.3.2 Examine Mixed-Use Developments and Revitalization Tax Program

It is recommended that the City, as part of a future downtown planning review, examine:

- how to better promote mixed-use developments (i.e., determine what is needed for them to occur)
- the potential for, and value of, designating a portion of the downtown Vernon as a "revitalization area" under section 246 of the *Community Charter*

It is possible that the City of Vernon will wish to review planning in downtown Vernon once the new Plan Vernon OCP is in place. If Vernon does choose to conduct such a review, thought should be given to examining mixed-use developments, as well as the revitalization tax exemption authority under section 246.

Mixed-use developments result in new, smaller and lower-cost units, particularly for one- and two-person households. Current zoning regulations allow for such developments but the market has been slow to embrace them. A better understanding of the market's reluctance, and of steps the City could take to address such reluctance, would be useful.

The authority for revitalization tax exemptions is relatively new — it has been put to use by only a few municipalities in BC. The five- and ten-year property tax exemptions that could be made available to developments in certain areas using the authority, however, may help to encourage the development of attainable units, and thus may be worth examining further. It is suggested that such an examination occur as part of a future downtown planning effort. At that time, it is likely that more municipalities than at present will have experimented with the new authority. Vernon will be in a position to learn from the experiences of these other places.

## 5.4 RECOMMENDATIONS — MONITORING PROGRESS

### 5.4.1 Appoint Affordable Housing Committee to Monitor Progress

It is recommended that the City appoint the Affordable Housing Committee to develop and undertake a program to regularly monitor the progress achieved under the *Attainable Housing Strategy*.



The value of the *Strategy* will be greatly enhanced if progress is monitored on a regular basis. Two key questions need to be examined under a monitoring program:

- Are the actions recommended in the *Strategy* being taken — i.e., is the *Strategy* being implemented?
- What impact is the *Strategy* having on housing attainability in Vernon — is it getting better or worse?

One element of the monitoring program will involve the collection and assessment of various quantitative data, including data on:

- sales and sale prices of ownership units (sources of data include Okanagan-Mainline Real Estate Board, BC Assessment and CMHC)
- average rents in Vernon (primary source of data is CMHC)
- housing starts by type, size and tenure (sources include City of Vernon, CMHC, Real Estate Board)
- household incomes and income-to-expenditure ratios (sources include Stats Canada, CMHC, BC Stats)

As important as the quantitative information will be qualitative assessments. In particular, it will be useful to conduct an annual community survey of key stakeholders (e.g., employers, planners, developers, real estate professionals, housing groups, others). Those surveyed should be asked for their views on:

- how housing attainability in Vernon is changing
- the specific measures they believe are working and/or not working
- the reasons the measures are working and/or not working

It is suggested that the City's Affordable Housing Committee be assigned the task of developing a formal monitoring program, and be made the body responsible for carrying out the program. The Affordable Housing Committee has representatives from all key housing stakeholder groups, and will be able to monitor in a way that maintains the high profile of the attainable housing challenges and the *Strategy*.