

AFFORDABLE HOME OWNERSHIP PROGRAMS



What is an affordable home ownership program?

Affordable home ownership programs differ depending on the obstacles they seek to address. Generally, programs target one or more of the following barriers to ownership:

1. Lack of downpayment or costs related to financing
2. Lack of knowledge relating to home ownership
3. Housing affordability relative to household income

Though programs that address the first barrier can be helpful in facilitating market entry, they are less effective in cities like Vancouver where housing prices are distanced from local incomes.

Programs that seek to bring the cost of ownership in-line with what residents are earning often preserve affordability in perpetuity. This is done by ensuring homes are bought and sold at below market rates either by capping equity increases using the consumer price index (CPI), or using a fixed price discount. Unless there is a downturn in the market, the former method helps keep housing prices lower for longer, better preserving affordability for future buyers.

Affordable home ownership programs typically aim to do one of the following: provide lower income families an opportunity to own a suitable home and build equity, or provide workforce housing. While some programs limit access to households of a certain income level, others do not.

Could an affordable home ownership program exist in Vancouver?

In April 2016, Council approved in principle the goals of an affordable home ownership pilot program for the City of Vancouver. Under the program's "shared appreciation" model, the City would retain an ownership stake in newly developed units, obtained through development incentives, that would allow it and the buyer to share in the market appreciation on the property.

Permanent residents who have lived in Vancouver for five or more years would be eligible to participate in the program as long as one owner was employed in the city. Buyers of studio or one bedroom units must be first-time home owners with no at-home dependents, earning a maximum household income of \$67,540 per year. For those purchasing two and three or more bedroom units, households must have at-home dependent children and earn a maximum of \$96,170 per year. For these units, first-time buyers would be prioritized.

Why hasn't this program moved forward?

There are differing legal opinions about whether or not this affordable home ownership program can exist in Vancouver. In the City's opinion, there are two elements of the *Vancouver Charter* that impede its development. The first is found in Section 565.2 (d). This section provides a list of terms that can be included in a housing agreement involving the municipality. The freedom of the City to enter into an agreement that involves sale, lease or share prices is not included.

The City understands this to mean that they are prohibited from entering housing agreements oriented around these forms of tenure. However, alternate legal counsel believe that as this is a non-exclusive list of terms, the City may enter into agreements that fall outside of these parameters.

The City has also flagged Section 153 of the *Vancouver Charter* as an impediment. This section prohibits provision of "special rights, franchise, privilege, immunity or exception" to some residents above others. However, other legal opinions believe that if an affordable ownership program were provided through a land trust or co-op structure, the trust would be considered a "welfare organization" (Section 206(1)(j)) not subject to Section 153.

Should the City resolve these legal questions, it is possible they may also face barriers from the CRA. If the municipality were to open an affordable housing program to its employees, under CRA regulation the home could be considered a taxable benefit. This would disincentivize participation.

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Examples

Whistler, BC - Whistler Housing Authority Resident-Restricted Housing

Target population: Residents currently or previously (5 of 6 years prior to retirement) employed in Whistler

Income restriction: None

Created in 1997, the [Whistler Housing Authority \(WHA\)](#) is an independent and self-sustaining housing corporation owned by the Resort Municipality of Whistler. Its goal is to house “at least 75% of employees locally within Whistler,” and does so through the development, administration and management of resident-restricted rental and ownership housing. In total, the WHA manages approximately 1900 units of housing, of which 56% is ownership.

To purchase a home through the WHA, residents must work a minimum of 20 hours per week in

Whistler (on average) and must not own real estate elsewhere, either personally, jointly or indirectly. Retired residents who were employed in Whistler for five of the six years prior to retirement are also eligible. Participation is not restricted by income.

Sale prices for homes are calculated by the WHA using a covenant formula. Appreciation is tied to either the Royal Bank of Canada prime lending rate, the Greater Vancouver Housing Price Index or the Canadian Core Consumer Price Index, depending on the unit.

San Francisco, CA - Inclusionary Housing Below Market Rate Ownership Program

Target population: Middle income minority households and those displaced by gentrification

Income restriction: At or below 90-120% Area Median Income (AMI)

Launched in 1992, [the program](#) uses inclusionary zoning to deliver affordable units to first-time, middle-income home buyers. By law, 15-20% of all new residential developments of five or more units must be affordable, provided on- or off-site or via payment in lieu. These units are then provided to eligible individuals and priced to ensure no more than 33% of household income is spent on housing expenses (including property taxes, insurance, etc.).

To ensure units remain affordable in perpetuity, the program records occupancy and resale restrictions within the property deed. The resale formula is currently calculated based on original purchase price and percent change of AMI from year of purchase to year of resale. The program includes 1,000 ownership units in its portfolio.

New York, NY - Inclusionary Housing Program

Target population: Middle-income home buyers with a focus on racial minority households

Income restriction: At or below 80% of AMI

Enabled through expansion of an existing program in 2009, the [inclusionary housing program](#) offers developers an optional 33% floor area bonus in exchange for designating 20% of units affordable. However, this offer only applies in high-density commercial zoning districts and other areas projected to add significant housing, in order to support the

project’s goal of promoting economically integrated communities.

Units are made affordable to households earning 80% of AMI or less, and appreciate with a fixed rate tied to CPI (as per a limited appreciation model). Appreciation is also capped to remain affordable to households earning 125% of AMI or less.

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Boston, MA - Inclusionary Development Program

Target population: Middle-income home buyers with a focus on racial minority households

Income restriction: At or below 80-100% of AMI

Created in 2002, [this program](#) uses inclusionary zoning to build its affordable housing portfolio. Developers of proposed residential developments of 10 or more units are required to sell or rent 13% of units at below-market rates. In exchange, they can negotiate relief from all of the City's zoning regulations.

Affordable ownership units are allowed to appreciate at a set rate of 3-5% of the purchase price, compounded annually. The program secures affordability by registering 30-50 year covenants on the title of the property and the mortgage. The Boston Redevelopment Authority (the program administrator) is provided the right of first refusal for any units sold in this period.

Langford, BC - Affordable Housing Program

Target population: Low-income families (minimum family of two people, one of whom is an eligible dependent)

Income restriction: Maximum annual household income of \$60,000

Established in 2004, the [Langford Affordable Housing Program](#) uses inclusionary zoning to obtain units for lower-income families to buy housing in new developments. At the program's outset, developers were required to provide one home for every 10 built.

However, due to developer opposition, the program now requires one home for every 15 built or a \$1,000 contribution to the City's Affordable Housing Reserve Fund for every single family equivalent dwelling unit created by rezoning. The program currently includes 40 single family dwellings and eight multi-family condo units.

Calgary, AB - Attainable Homes Calgary

Target population: Middle-income home buyers

Income restriction: \$90,000 or less annual household income for families with dependent children and \$80,000 or less for singles and couples without children

A subsidiary of the City of Calgary, [Attainable Homes Calgary Corporation \(AHCC\)](#) provides opportunities for home ownership to middle-income individuals and families. To do so, the City may gift land for an affordable development or AHCC may negotiate purchase of the last remaining units in a developer-led project.

Homes are made affordable to the buyer through a forgivable equity loan, provided by AHCC, which decreases the cost of the unit and they buyer's mortgage payments. Homes are sold at market value, with the buyer sharing between 25-75% of appreciation with AHCC, depending on the length of occupancy. Under this model, affordability is not retained for the next buyer.