



BACKGROUND

For some time BC Housing and Columbia Basin Trust (CBT) have been working with non-profit providers, government agencies, community organizations, and private sector entities to create housing solutions for the Columbia Basin. Over the past decade, more than 10,000 new units of affordable housing have been built through a variety of initiatives.

The Affordable Rental Housing Initiative (ARHI) is a partnership between BC Housing and CBT. The purpose of the initiative is to address the creation of affordable rental housing for low and middle income households in a way that meets the needs of the Columbia Basin as a whole.

Affordable Rental Housing Initiative (Columbia Basin)

Program Framework

March 2012

This program involves the development and delivery of affordable rental housing projects in the Columbia Basin. The program is designed to provide a range of housing options for low and middle income households and to address the needs of the Columbia Basin as a whole.

The program is designed to provide a range of housing options for low and middle income households and to address the needs of the Columbia Basin as a whole.





Affordable Rental Housing Initiative (Columbia Basin) Program Framework

1. BACKGROUND

For some time, BC Housing and Columbia Basin Trust (CBT) have each partnered with non-profit providers, government agencies, community organizations and private sector entities to create housing solutions for British Columbians in need. Over the past decade, more than 16,000 new units of affordable housing have been built through a variety of initiatives.

The Affordable Rental Housing Initiative (Columbia Basin) is a partnership between BC Housing and CBT (the Partners). The purpose of the Initiative is to facilitate the creation of affordable rental housing for Low and Moderate Income households in as many communities within the Columbia Basin as possible.

The Initiative will invest in the following types of projects:

- exclusive Affordable Rental Housing;
- mixed market and Affordable Rental Housing (with a majority of Affordable Rental units and some market rental units); and
- Affordable Rental Housing with designated space for broader community purposes (such as child care or seniors' centres).

The Partners will each contribute up to \$5,000,000 in equal shares to be advanced as capital grants to eligible organizations. Where appropriate, BC Housing can also provide interim construction financing, and/or the arrangement of take-out financing through private lenders, each at reduced rates.

Housing providers must be a local government, non-profit housing society or co-operative, or a combination of any two or more such entities and must be based in the Columbia Basin or must have a strategic or other connection to the Columbia Basin and make the project proposal jointly or in concert with an organization based in the Columbia Basin.

This program involves the development of affordable rental housing owned, managed and sustained by the funded providers.

Projects must be specifically built for Low and Moderate Income households, and clearly demonstrate that they will not require any ongoing operating subsidies from either of the Partners. Projects must be self-sustaining affordable housing developments, funded through tenant revenues and/or operating dollars secured from other funding partners.

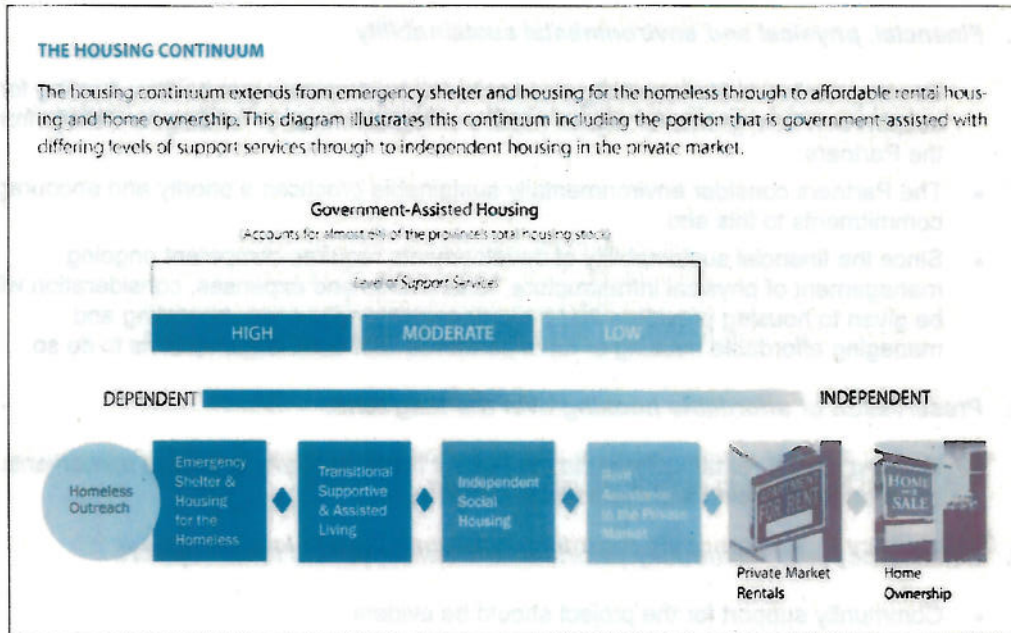
This program is not intended to provide ongoing housing subsidies. Any operating shortfall should be funded from other sources.

BC Housing's capability to provide grants to public or non-profit organizations is enacted through provincial regulation, for the purpose of facilitating the development of affordable rental housing for Low and Moderate Income households.¹ CBT serves the people of the Columbia Basin and assists communities in addressing their needs in a range of ways, including the provision of support to affordable housing initiatives.

¹ Ministry of Lands, Parks and Housing Act, R.S.B.C.1979. BC Housing Management Commission Regulation:
http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/11_490_79

While projects will be considered anywhere within BC Housing's *Housing Continuum* (see Figure 1), eligible projects will typically be situated within the range of independent affordable housing. Where projects involve supports or services to tenants, these projects will necessarily require additional funding from other programs and/or commitments from other funders in order to be viable.

Figure 1: The Housing Continuum



This program does not include grant funding or financing for residential care projects.

This program framework outlines the program intent, goal, principles, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of the Partners in the delivery and management of the Affordable Rental Housing Initiative.

2. PRINCIPLES

1. ***Quality affordable rental housing is established only where there is a demonstrated need and, communities have identified affordable rental housing as a priority.***

2. ***Financial, physical and environmental sustainability.***

- Developments will be financially sustainable without operating subsidies, funding for support services, grants for capital repairs or replacement, or funding for deficits from the Partners.
- The Partners consider environmentally sustainable practices a priority and encourage commitments to this end.
- Since the financial sustainability of developments requires competent ongoing management of physical infrastructure, tenant rents and expenses, consideration will be given to housing providers that have demonstrated success operating and managing affordable housing or have partnered with other organizations to do so.

3. ***Preservation of affordable housing over the long term.***

- Housing should remain affordable throughout the term of any operating agreements between BC Housing and the housing provider.

4. ***Consistency with community priorities and demonstrated local support.***

- Community support for the project should be evident.
- Projects should be consistent with any existing official community plans and strategies.

5. ***Providers are expected to maximize their equity contribution to the projects.***

6. ***Transparent and accountable operations.***

- The Partners will employ fair and consistent processes when evaluating and selecting projects.
- Housing providers will maintain reliable and consistent records and fulfil reporting obligations to BC Housing.
- Housing providers and BC Housing share accountability for ongoing monitoring.

3. GOAL

Increase the supply and range of affordable and appropriate rental housing options for Low and Moderate Income households across the Columbia Basin.

4. OBJECTIVES

1. Create as many units of affordable and appropriate rental housing in as many communities with housing need as possible in the Columbia Basin.
2. Capital grants are awarded for at least five projects, subject to the suitability of the proposed projects.

5. OUTPUTS AND OUTCOMES

5.1 Outputs

- Capital grants awarded to approved projects.
- Interim construction and/or take out financing extended to approved projects.
- Operating agreements established with providers managing approved projects.

5.2 Outcomes

Short Term

- Increased number of new affordable rental units for households created in communities with housing need.
- Increased number of Low and Moderate Income households living in affordable and appropriate rental housing.
- Decreased number of households on housing waitlists.

Long Term

- Affordable rental housing is operated successfully over the expected life of the developments without subsidies or supplemental funding from the Partners.
- Tenant rents continue to meet affordability criteria.

6. CORE PROGRAM ELEMENTS

6.1 Tenant Eligibility

Low and Moderate Income households whose gross household income does not exceed the top of the second quintile of household incomes for British Columbia households, based on Statistics Canada Survey of Labour and Income Dynamics reports, and as determined by BC Housing from time to time.

Households that are eligible for assistance through the Shelter Aid for Elderly Renters (SAFER) or the Rental Assistance programs are eligible.

6.2 Income Mix and Rents

- Rent in all units must be affordable for eligible tenants.
- The rent structure will vary depending on the characteristics of the particular project, the tenant population being served, and whether or not funding from other sources is layered into the project. As a result, rents may be structured as rent geared to income, fixed rent and/or an affordable market rent. Where affordable market rent applies, rents will be set as determined either by a local market rent survey, CMHC's Rental Market Report, or other data acceptable to BC Housing.
- Rent revenues must be sufficient to support all operating costs including debt servicing.

6.3 Housing Provider Eligibility

The Partners will consider proposals for funding through a call for submissions advertised via BC Housing at www.bchousing.org or via Columbia Basin Trust at www.cbt.org. The evaluation of submissions will be based on provider and project eligibility, lending criteria and available grants and financing. Where the Partners are unable to provide project grants or arrange project financing, they may still be able to connect potential partners, and provide advice.

To be considered, the following eligibility requirements must be met by the provider²:

1. Must be a local government, non-profit housing society or co-operative, or a combination of any two or more such entities and must be based in the Columbia Basin or must have a strategic or other connection to the Columbia Basin and make the project proposal jointly or in concert with an organisation based in the Columbia Basin.
2. Governing documents such as constitution and bylaws, or Articles of Incorporation, must meet BC Housing requirements (for example: must be incorporated under the laws of British Columbia or Canada; among non-profit organizations, the provision of affordable housing must be an express purpose and unalterable in the constitution).
3. Must demonstrate the capacity to manage project construction and operate an affordable housing development.
4. Must complete a Needs and Demand Assessment or Market Study that clearly demonstrates present and future need and demand for affordable rental housing in the target community. The assessment must be completed in the format provided by BC Housing or a comparable format that provides the information required.
5. Must present a clear business case for the project including demonstrated ability to maintain affordable rents over time and demonstration that developments will be sustainable without operating subsidies, funding for support services, grants for capital repairs/replacements, or funding for deficits from the Partners.
6. Should demonstrate community support for the initiative, including but not limited to local government support.

² BC Housing may require additional guarantees or security in certain cases as it deems appropriate.

7. Is required to bring equity to the development in the form of cash, grants, municipal reductions, subordinated debt, or unencumbered land.
8. Must own and control a mortgageable interest in the property.
9. The site must be suitable for affordable rental housing.

While all providers must meet basic eligibility requirements, it is at the Partners' discretion to prioritize projects based on available grants, financing and other determining factors. Criteria may include but are not limited to, the following elements:



Providers are strongly encouraged to maximize their equity contribution to the project.

6.4 Facility Guidelines

All new developments are required to:

1. Achieve the energy performance standard of EnerGuide 80.
2. Use Energy Star rated products.
3. Comply with the environmental assessment and mitigation requirements as set out in the Canadian Environmental Assessment Act, S.C. 1992, c37.

Housing providers are strongly encouraged to consider environmental best practices during design, construction and operations. Areas to consider include:

- Optimizing energy performance to minimize operating costs and energy use.
- Specifying products, designs and systems that will result in optimized indoor air quality and natural daylight access.
- The use of durable systems and materials that will prolong the life of building components and minimize replacement costs.
- The use of lower environmental impact housekeeping practices that both prolong the life of finishes and improve indoor air quality.

When considering energy conservation strategies, housing providers should contact local utilities for incentive funding assistance. For help with the incentive applications, providers can either contact the energy management staff at BC Housing or at the BC Non-Profit Housing Association.

Depending on the size and scale of the project, an integrated design process is encouraged where all parties are contributing actively to the design outcomes. More information on integrated design can be found at: <http://www.metrovancouver.org/buildsmart/design/Pages/Integrateddesignprocess.aspx>

6.5 Sustainable Funding

Providers are required to operate developments so that, over time, revenues equal or exceed expenses. Aggregate rental revenue must enable housing providers to at least break even without a requirement for operating funding, subsidy funding or support services funding from the Partners.

Projects may require ongoing support from other funding partners for operating dollars. Where this includes support services to tenants, the funding commitments for these services must be secured before final project commitment. The onus is on the housing provider to develop a realistic and stable service delivery plan and confirmation of the necessary funding parties prior to project commitment. Providers that wish to include special features beyond essential shelter will be expected to assume the extra costs – capital and operating.

7. FUNDING AND AGREEMENTS

7.1 Types of Financing Available

Capital Grant

Eligible providers may qualify for capital grants.

Interim Construction Financing

BC Housing can also provide interim construction financing for the development of new, affordable, rental housing. Interim financing may be approved up to 100% of the construction cost of the affordable housing project.

Take-out Financing

BC Housing may also help eligible non-profit providers to obtain take-out financing. BC Housing can make arrangements with a large number of NHA approved lenders to obtain the lowest interest rate through a competitive bidding and selection process conducted and approved by BC Housing. All approved BC Housing take-out loans will have low cost CMHC loan insurance.

Additional information is available within the Financing for Affordable Rental Housing Lending Criteria Guide.

7.2 Security for Assistance

Depending on the type of project, in return for its assistance, BC Housing will typically require the following security registered on title:

- A Forgivable Mortgage (for the amount of the approved grant) in favour of BC Housing. For projects that require a repayable mortgage, execution and registration of BC Housing's standard security package will be required.
- A Section 219 restrictive covenant and option to purchase.
- An operating agreement with BC Housing.

Particular security will vary from project to project. BC Housing's security requirements require the housing provider to have a mortgageable interest in the property free and clear of any encumbrances or title defects which would prevent the registration of a mortgage and security documentation.

7.3 Agreements

Successful providers must enter into an operating agreement with BC Housing. Where loans have been advanced, the provider must also execute loan security documents. The term of the operating agreement will normally be five years longer than the amortization period of the mortgage.

The operating agreement will require that:

1. All units in the development must remain affordable for targeted households.



Affordable Rental Housing Initiative (Columbia Basin) Program Framework

2. Household income for all tenants is verified by the provider on commencement of tenancy; rents monitored and adjusted by providers as required.
3. Rent revenues must be sufficient to support all operating costs including debt servicing.
4. The provider is responsible for funding and replacing all capital items including major capital items, and for insuring the property and improvements.
5. Initial replacement reserve and capital plan to be approved by BC Housing.
6. Providers submit an annual financial statement to BC Housing, and periodic monitoring is completed by BC Housing.

8. ROLES AND RESPONSIBILITIES

Each Partner will share responsibility for:

- Communicating with Columbia Basin communities about the initiative.
- Inviting and evaluating project proposals, and announcing approved projects.
- Flowing capital funding.
- Providing technical assistance and advice.
- Publicizing the completed construction of approved projects and ensuring the Partners are recognized as funders of the projects.
- Monitoring and evaluating the success of the program.

BC Housing

BC Housing will enter into agreements with the funded organizations for the development and operation of the projects and will be responsible for monitoring the construction and operation of the projects funded through the Initiative.

Housing Providers

Housing providers are responsible for:

- Coordinating the construction of developments funded through this program.
- Day to day operations and management of the housing, including the provision of property management services.
- Identification and selection of tenants, including verification of their income.
- Periodic reporting to BC Housing as specified in the operating agreement.
- Ensuring the financial viability and long term operating success of the housing.

9. REPORTING AND MONITORING

9.1 Provider Reporting

The purpose of monitoring the Affordable Rental Housing Initiative is to assure program compliance and minimize risk to all stakeholders: tenants, providers and the Partners. The extent of monitoring will be commensurate with the level of exposure: for example, larger, more complex projects, or projects with greater funding or loan amounts, will warrant a greater degree of monitoring. CBT and BC Housing will

develop a monitoring and evaluation plan for jointly monitoring and evaluating the effectiveness of the Initiative and each project.

The Partners' main interests are:

Quality Assurance

- Housing providers meet contractual obligations.
- The targeted households are being housed.
- Affordable rents are maintained.

Minimizing Risk

- Developments are financially viable with no operating subsidies or grants from the Partners.
- Buildings are maintained to an appropriate standard for their expected lifespan.

9.2 Monitoring Plan

Every three years, the housing provider is required to submit to BC Housing a report, using the template provided by BC Housing³, addressing these key requirements:

- Current financial statements.
- Current rent levels.
- Household incomes at move-in.

As a general rule, an on-site visit by BC Housing staff will occur every 3 to 6 years. The frequency will be dependent on any issues arising and/or where financial and operating risks are considered to be greater.

10. SIGN-OFF

The Program Framework requires final sign-off by the BC Housing Vice-President of Development Services, the Vice-President of Operations, the Vice-President of Corporate Services, and the CBT Director of Planning and Development.

For BC Housing



Vice President, Development Services

For Columbia Basin Trust



Director, Planning and Development

Vice President, Operations



Vice President, Corporate Services

³ See Appendix B: Sample Financial Reporting Template

APPENDIX A – ROLES AND RESPONSIBILITIES

R Responsible	Those who do the work to achieve the task. Can be shared among various business units.
A Accountable	Those who are ultimately accountable for the correct completion of the task. Only one business unit should hold ultimate accountability.
C Consulted	Those whose opinions are sought (two-way line of communication).
I Informed	Those who are kept up to date on progress. Assumes 1 way line of communication
S Supports	Provides support to those completing the task, if necessary.

MAJOR TASKS	BC HOUSING	COLUMBIA BASIN TRUST	HOUSING PROVIDER	COMMERCIAL LENDER
Submit proposal			R/A	
Develop need / demand analysis	R	C	R/A	
Review proposals	R/A	R/A		
Work with providers	R/A	C	C	
Select successful providers, advise providers	R/A	R/A	I	
Develop operating agreements	R/A	C	C	
Execute grant and/or interim financing to enable construction	R/A		C	
Tenders to commercial take-out lenders	R/A		I	C
Execution of security documents	R/A		C	I
Conduct underwriting analysis	R/A		C	
Final Project Approval	R/A	R/A	I	
Register Section 219 and OTP Covenant	R/A			
Execute mortgage financing	I		R/A	C
Negotiate and execute the operating agreements	R/A		C	
Oversee the construction phase: review project monitor reports; approve draws etc.	R/A		C	
Public announcement of project	R/A	R/A	R	
Report regularly to BC Housing			R/A	
Monitor providers' compliance with program requirements	R/A	R/A	C	

APPENDIX B: SAMPLE FINANCIAL REPORTING TEMPLATES

STATEMENT OF CHANGES IN OPERATING FUND

HOUSING PROVIDER:

FISCAL YEAR END:

REVENUE:	BUILDING1		BUILDING2		BUILDING3		TOTAL
	SHELTER	NON-SHELTER	SHELTER	NON-SHELTER	SHELTER	NON-SHELTER	
OTHER MINISTRIES' SUBSIDY							
TENANT RENT							
INTEREST *							
LAUNDRY							
PARKING							
OTHER:							
Total							

EXPENDITURES:

REPLACEMENT RESERVE PROVISION**							
BAD DEBT							
CABLE							
ELECTRICITY							
HEATING							
WATER & SEWER							
WASTE REMOVAL							
NON-RECURRING MAINTENANCE							
ADMINISTRATION SALARIES							
OFFICE OVERHEAD							
MAINTENANCE LABOUR							
BUILDING MAINTENANCE							
GROUNDS MAINTENANCE							
SERVICE CONTRACTS							
OTHER MAINTENANCE:							
INSURANCE							
MEMBERSHIP & DUES							
OTHER:							
Total							

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES: _____

OPERATING FUND BALANCE, BEGINNING: _____

OPERATING FUND BALANCE, ENDING: _____

* Please exclude Interest revenue on Replacement Reserve Fund account.

** Please exclude Replacement Reserve expenditures from maintenance expense reported on this statement.

*** Depreciation is not a recognized expense for the project.

STATEMENT OF CHANGES IN REPLACEMENT RESERVE FUND

HOUSING PROVIDER: _____

FISCAL YEAR END: _____

	BUILDING 1	BUILDING 2	BUILDING 3	TOTAL
FUND BALANCE, BEGINNING				
INTEREST REVENUE				
REPLACEMENT RESERVE PROVISION				
EXPENDITURES:				
APPLIANCES				
PAINTING				
FLOORING				
HOT WATER TANK				
OTHER:				
OTHER:				
OTHER:				
OTHER:				
OTHER:				
Total Expenditures				
FUND BALANCE, ENDING				

RESTRICTED CASH IN ACCOUNT				
----------------------------	--	--	--	--

STATEMENT OF FINANCIAL POSITION

HOUSING PROVIDER: _____

FISCAL YEAR END: _____

BUILDING1 BUILDING2 BUILDING3 TOTAL

ASSETS:

CASH - OPERATING				
CASH/INVESTMENT-REPLACEMENT RESERVE				
SHORT TERM INVESTMENTS				
ACCOUNTS RECEIVABLE				
OTHER RECEIVABLE				
PREPAID EXPENSES				
SECURITY DEPOSITS				
FUNDS IN TRUST				
CAPITAL ASSETS				
OTHER:				
Total				

LIABILITIES:

BANK OVERDRAFT				
ACCOUNTS PAYABLE				
ACCRUED LIABILITIES				
CURRENT PORTION OF MORTGAGE				
DEFERRED REVENUE				
SECURITY DEPOSITS				
MORTGAGE				
OTHER:				
Total				

FUND BALANCES:

REPLACEMENT RESERVE				
OPERATING				
OTHER:				
Total				

APPROVED BY: _____

DIRECTOR

DIRECTOR

GLOSSARY

"Affordable Rental Housing" means rental housing which is modest in terms of floor area and amenities, is based on household needs and community norms, and is priced at or below average market housing rents or prices for comparable housing in a community or area.

"Columbia Basin" has the meaning assigned in the Columbia Basin Trust Act (British Columbia).

"Forgivable Mortgage" is a mortgage to be registered against the project to secure any grant / financial assistance provided by Columbia Basin Trust and British Columbia Housing Management Commission. The amount owing under the mortgage shall be reduced on each anniversary and will continue for the duration of the amortization period of the mortgage until the full amount of the mortgage has been reduced to zero.

"Funded Commitments" means at any time aggregate contributions by BC Housing and CBT to the Initiative pursuant to this Agreement;

"Low and Moderate Income" means a gross household income that does not exceed the top of the second quintile of household incomes (2 persons or more) for British Columbia households, based on Statistics Canada "Survey of Labour and Income Dynamics" reports, as determined by BC Housing from time to time. For 2011 this figure is \$64,999. If BC Housing ceases to determine this amount annually, the amount may be increased January 1 of each year according to increases in the Consumer Price Index for all items for Canada as published by Statistics Canada and measured from October 1, of the year preceding the last year BC Housing provided the amount to October 1 of each subsequent year. For example, if the last year BC Housing provided the amount was for 2011, then for 2012 the amount would be based on the amount for 2011, multiplied by one plus the change in the Consumer Price Index from October 1, 2010 to October 1, 2011.

"Partners" means Columbia Basin Trust and BC Housing Management Commission.

"Project Approval" means the approval of a project by the Initiative Selection Committee jointly established by Columbia Basin Trust and BC Housing and with representation from each Partner.