



PIBC PLN Affordability Webinar

M'akola Development Services
May 29, 2024

M'akola acknowledges with respect the peoples on whose traditional territory M'akola operates, including the Ləkʷəŋən, Xwsepsum, WSÁNEĆ peoples, K'ómoks First Nation, Lheidli T'enneh First Nation, xʷməθkʷəy̓əm, Skwxwú7mesh and səliłwətał First Nations whose historical relationships with the land continue to this day.



M'AKOLA
DEVELOPMENT
SERVICES

Ho'-Kee-Melh Kloshe Lum (1015 East Hastings)
Vancouver

Agenda



About MDS



Non-Market Housing & “Affordability”



About Developing Non-Market Housing



Development Viability



A Non-Market Housing Developer’s Wish List & Things to Consider As a Local Government...



M'akola Development Services is a professional consulting firm including planners, development consultants, project managers, and non-profit housing experts.

- Over 30 years of experience in both the market and non-market housing sector
- Partnerships with all levels of government, non-profit organizations, Indigenous communities, and private industry
- Indigenous Board of Directors
- Focus on researching, developing and operating housing for Indigenous families and elders

M'akola Development Services



Community
Planning



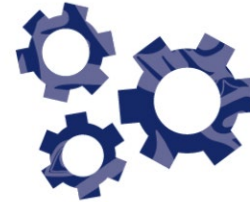
Land
Development



Community
Outreach and
Engagement



Development
Consulting



Operations
and Asset
Management



Indigenous
Planning and
Development

**We help navigate the complex systems of planning
and development; from concept to community.**



M'AKOLA DEVELOPMENT SERVICES

**70+ Active Projects
over 30 Communities**

**Managing close to \$2B in
Project Costs**

**Building over 4500 new
homes**

**Representing more than
1000 jobs**



AFFORDABLE HOUSING:
FROM CONCEPT TO COMMUNITY

NON-PROFITS | GOVERNMENTS | FIRST NATIONS



Non-Market Housing and Affordability

550 Goldstream, Langford

Defining Affordability

How do we define affordability?

- No global, federal, provincial or local agreed-upon definition of affordability exists.
- Often defined differently through different funding frameworks (i.e. Building BC and CMHC Affordable Housing Fund).
- Commonly refers to low-to-moderate income earners (Income range: single vs. family).
- Often defined through CMHC Market Rental Report and Housing Income Limits (HILs) data.
- Covenants ensure the property remains affordable for a certain period of time.



Understanding Affordability

How do we understand affordability?

- Shelter Rate (as defined by the BC Ministry of Employment and Assistance)
- BC Housing Income Limits (HILs)
- % of Average Market Rent
- Rent Geared to Income (RGI)
- Median Market Rent (as reported by the CMHC Housing Market)
- Average Rent

Most importantly, affordability is often *community-defined* and informed by *place-based* specific needs and demands.



Commonly Used Affordability Definitions

Organization	Definition Used
BCNPHA (Affordable Plan for BC)	Core Housing Need/Missing Middle
BC Housing (Building BC/Housing Fund RFPs)	Housing Income Limits (HILs), Shelter Rate, Rent Geared-to-Income (RGI)
BC Builds	Middle-Income Earners – 20% of Units are rented at 20% below market rent – 35 years min.
CMHC (National Housing Strategy/Affordable Housing Fund)	30% of units have rents at less than 80% of median market rents, for 20-year min.
UN-HABITAT (Adequate Housing Series)	Housing cost to total expenditure ratio
Local Government/Housing Provider Definitions	Various definitions based on need or mandate

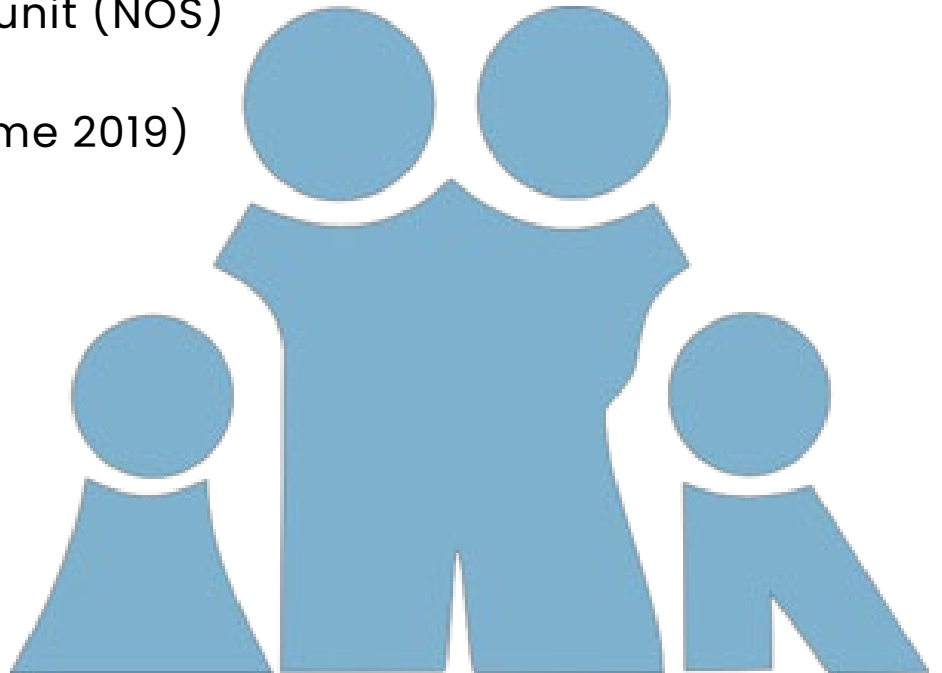
'Typical Household' Example: Jackie & Frances

'Typical Household' Example based on Jackie, Frances & their family

Considerations include:

- Family requires a three-bedroom unit (NOS)
- Before Tax Income of \$75,500
(Nanaimo Median Household Income 2019)

What should this household expect to pay under different definitions of affordability?



Expenditure-To-Income Ratio

Housing is considered 'affordable' if it costs less than 30% of a household's before-tax income.

- Origins of housing expenditure to income:
Rooted in 19th Century studies of household budgets
- Originally used primarily by mortgage lenders and private sector landlords.
"One week's wage for one month's rent"
- What should be included in housing costs?
What is meant by income?
- These conceptual, theoretical and practical problems were never resolved...



*Jackie & Frances' Monthly
Rent: \$1,888*

What Can 30% Afford?

Nanaimo (CY) – CMHC Primary Rental Market Statistics

Unit Type	Median Market Rents Oct 2023
Bachelor	\$1,424
1-Bedroom	\$1,640
2-Bedroom	\$2,100
3-Bedroom +	\$2,350



30% of Jackie & Frances' Monthly Income: **\$1,888**

Needs-Based Approach

Under market conditions Jackie and Frances can:

- Option 1 – Spend **26% of income** on housing (\$1,640) for a 1-bedroom unit (**severely overcrowded**). May require repairs.
- Option 2 – Spend **33% of income** on housing (\$2,100) for a 2-bedroom unit (**may be overcrowded**). May require repairs.
- Option 3 – Spend **37% of income** on housing (\$2,350) for a 3-bedroom unit. May require repairs.
- Assumes family is able to find unit – **low vacancy!**



*Jackie, Frances & family is likely in **core housing need**.*

% of Average Market Rent

Used to define rents for units under various funding programs:

- **CMHC Affordable Housing Fund**

Rents for a minimum of 30% of units *below 80% of the Median Market Rental rate* (as defined by CMHC's annual Rental Market Survey)

- **BC Housing CHF/IHF**

'Affordable Market Rent' component (30% of units) must be *no less than CMHC Average Market Rent*



*Under Affordable Fund,
Jackie & Frances' rent for a
3-bedroom unit in
Nanaimo : \$1,195*

Rent-Geared-To-Income (RGI)

RGI is housing with rental subsidy that includes:

- Rental fees are calculated geared to income; 30% of total gross household income
- Tenants with household income under HILs
- Tenant Rent Contribution (TRC) updated regularly

Rent-Geared-to-Income is a major component of BC Housing's recent housing fund RFPs.



*3-bedroom RGI unit under CHF/IHF funding programs in Nanaimo
Jackie & Frances' TRC: **\$1,888***

Two Streams of Affordable Housing

Housing Applications

Market Housing

Non-Market
Housing

Secured
Rental

Traditional
Developer

Senior
Government
Funding

Non-Profit
Led

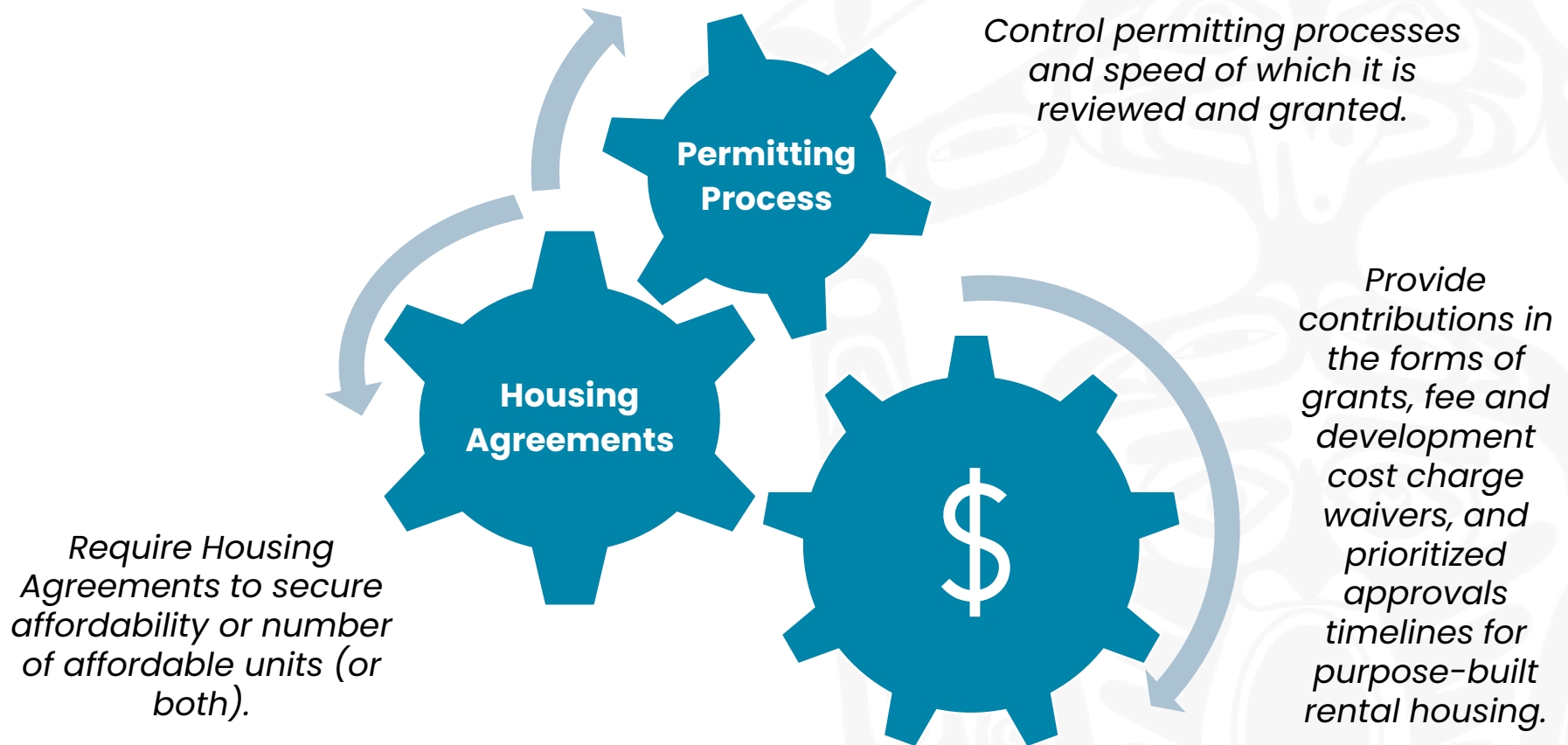
Two Streams of Affordable Housing

Market Affordable Housing

- Can be market, non-market, owned, or rented
- Usually developed/constructed by a for-profit developer, builder, or individual home-owner.
- Households spending less than 30% of their pre-tax income on adequate shelter are typically categorized as households accessing affordable housing.

Two Streams of Affordable Housing

Market Affordable Housing – Role of Local Government



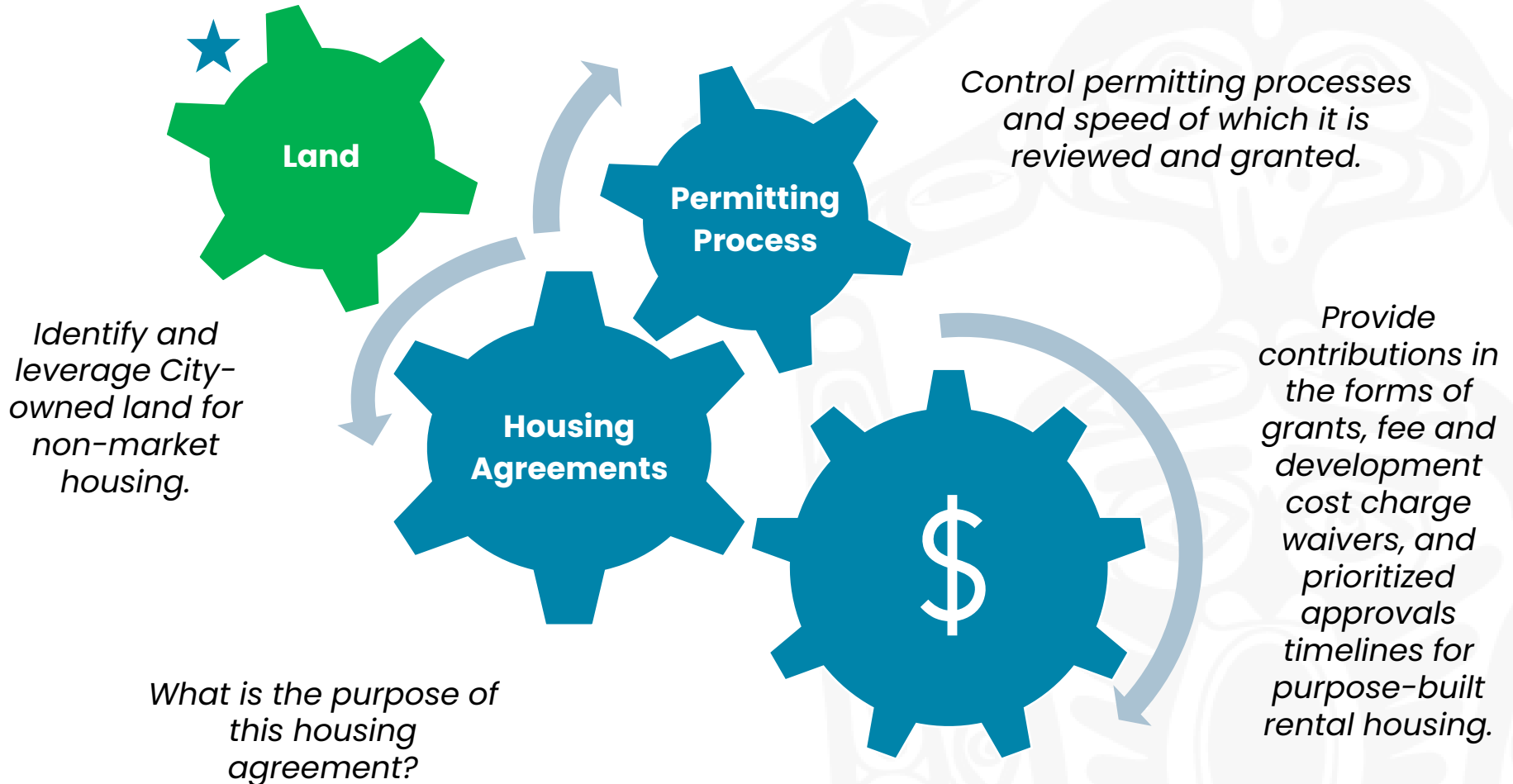
Two Streams of Affordable Housing

Non-Market Housing

- In most cases, identical to market rental housing – only significant difference is the cost of rent.
- Subsidized through grant and/or operating subsidy by senior government, operated by non-profit or local government entity.
- Involves a Senior Government Funder (e.g. BC Housing/CMHC)
- Owned or Leased by a Non-Profit
- Affordability (Capital Stack) is dictated by the Senior Government Funder

Two Streams of Affordable Housing

Non-Market Housing – Role of Local Government



Non-Market Housing

We need more **market** and **non-market** housing.

Because of Land Cost, Materials, Construction Costs, and Profitability Margins, New Market Housing is Rarely “Affordable”.

- Building is more expensive than ever.
- Nearly **\$500+/sqft** (if we're lucky!)
 - EX: Two Projects in Terrace BC across the Street, Similar Construction Style, Same Contractor – Tender One Year Apart – \$40/SqFt difference
- Building rental units is a huge investment, most market-oriented developers need to see returns.
- **Provincial and federal programs are one of the only ways to maintain affordable rent structure.**
- More units reduce competition but rarely reduce cost.
- Non-market units actually reduce costs in the market – especially in older units.

Non-Market Housing

Tremendous Variance Within Non-Market Housing

- Multiple definitions of affordable.
- Varying degrees of support or associated staffing.
- Some societies focus on specific housing, while others maintain a broad portfolio.
- Most non-market units are regular rental units.

Common Elements:

- Typically non-profit operated.
- Often supported by government grants and subsidies (e.g. BC Housing, CMHC, FCM, etc.).
- Affordability is SECURED through legal agreement with major funders. Units are affordable in perpetuity.



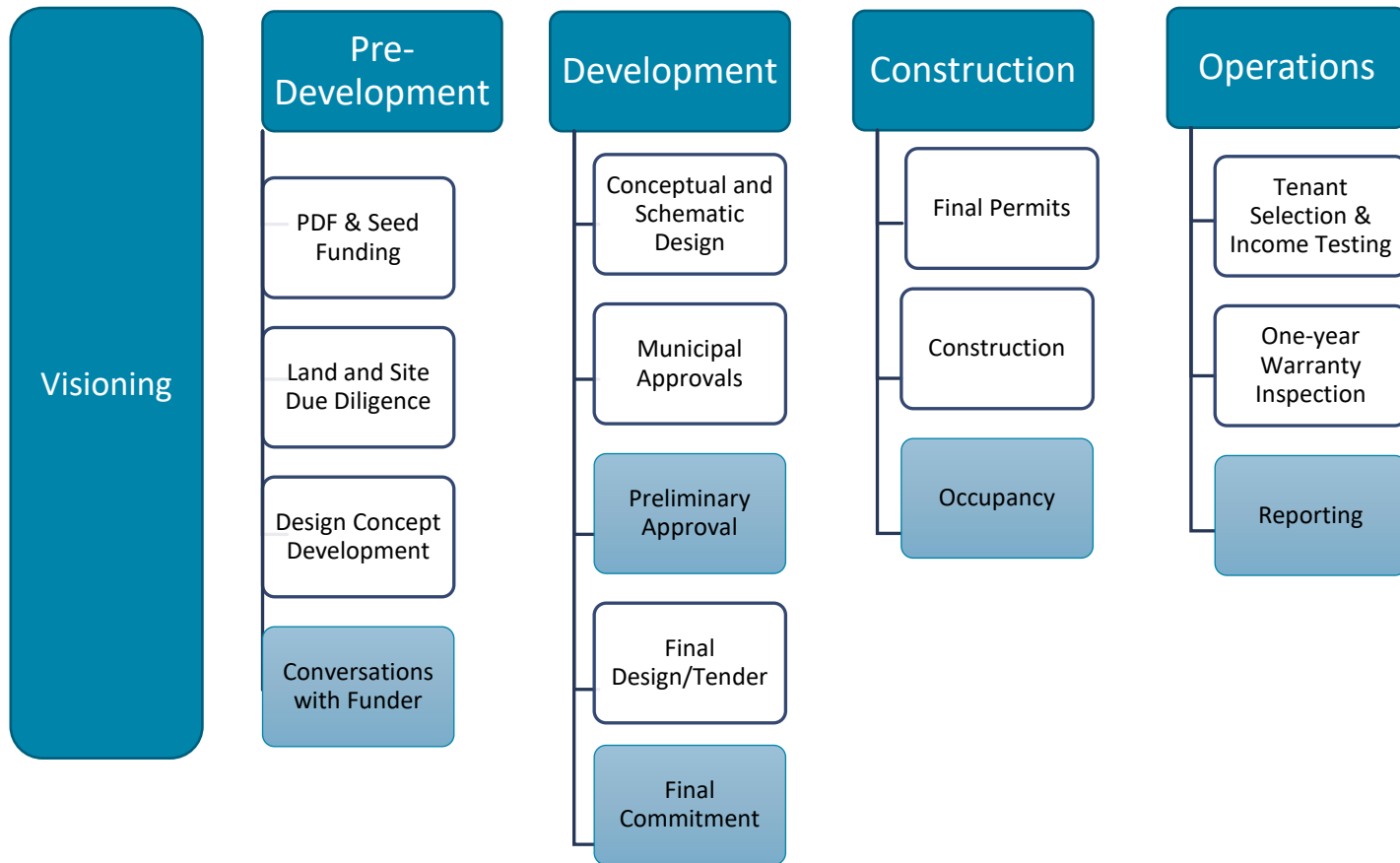
Developing Non-Market Housing

How: Non-Market Housing In BC – Key Players

- In BC, non-market housing is delivered through partnerships
- Non-Profit Housing Operators play a key role in operating non-market housing



Development Process



How: Non-Market Development – Funding Program



Community Housing Fund / Indigenous Housing Fund

- Capital Contribution
- Rent Levels 20/50/30
- Low-to-Moderate Income
- Subsidy
- Secured Affordability – 60 Years
- Low Interest Financing

BC Builds

- Capital Contribution to buy down cost to achieve 20% of units 20% below market, secured for 35 years
- Access to Low-Interest Financing
- Middle Income Earners

How: Non-Market Development – Funding Program



CMHC Affordable Housing Fund

- Low Interest Financing and Extended Amortization Terms – up to 50 Years
 - Capital Contribution per unit

How: Non-Market Development – Contribution

Ex: 40 Unit Building

BC Housing

- Community Housing Fund / Indigenous Housing Fund
 - CHF: \$6.5M + On-Going Mortgage Subsidy ~800 – 1500 PUPM
 - IHF: \$15M + On-Going Mortgage Subsidy ~800 – 1500 PUPM
- BC Builds
 - Up to \$9M

CMHC Affordable Housing Fund

- Up to \$3M + Extended Amortization



How: Non-Market Development – The Strings

BC Housing

- Community Housing Fund / Indigenous Housing Fund
 - Operating Agreement secures affordability for 60 years
 - Covenant restricting redevelopment
 - Option to Purchase from BC Housing
- BC Builds
 - Covenants restricting affordability for life of mortgage

CMHC Affordable Housing Fund

- Covenants for affordability for life of mortgage (up to 50 years)



How: Non-Market Development – The Strings



In Addition to:

- Design Guidelines
- Design Review Requirements
- Reporting Requirements
- Accessibility Minimum Requirements
- Energy Efficiency Requirements
- Limited access to Capital to advance a project before Construction Start (Applications, Consultant Fees, Permits, Waivers, Deposits, Securities etc.)



Development Viability

M'akola Housing Society

Drennan

- 170 units
- Mix of studios, 1-, 2-, and 3-bedrooms
- Supporting Indigenous individuals and families
- Construction Completed in April 2024

Funding/Partnerships

- Funded under Regional Housing First Partnership – CRD, BCH, CMHC
- ~\$57M total cost



M'akola Housing Society

Drennan

Our Role

- Coordinated all pre-development activities including site analysis, environmental assessments, and technical studies.
- Developed all capital and operating budgets.
- Completed all funding proposals.
- Coordinated all municipal approvals and partner relationships.
- Managed construction process and all associated procurement.
- Acted as owner's representative throughout process.

How Rents are Set

Drennan – Non-Subsidized Project

Total Capital Costs	
Capital Cost	\$57M
Provincial Contribution	\$14.5M
Society Contribution	\$1.5M
Federal Contribution	\$6.9M
Total Mortgage	\$34.1M

Operating Cost (PUPM)	
Rental Income (Average Rent)	\$1,173
Operating Costs	\$572 PUPM
Mortgage Payment	\$754 PUPM
Cashflow	10%*

*accounts for debt coverage to demonstrate to lender, vacancies, inflation on operating costs (e.g. wages)

Local Government Impact – Examples

Drennan – Non-Subsidized Project

Option 1: Capital Contribution

Rental Income (Average Rent)	\$1,173 PUPM
Capital Contribution	\$265,500 (\$1,500 /door)
Impact on Rents	– \$21.67 PUPM
Average Rent	\$1,152 PUPM

Option 2: Property Tax Exemption

Rental Income (Average Rent)	\$1,173 PUPM
Capital Contribution	\$138,000/year
Impact on Rents	– \$ 67 PUPM
Average Rent	\$1,106 PUPM

KIKÉKYELC: Project Vision

Kikékyelc (Ki-kek-yel-c) means to cover young protectively; how birds wrap wings around their young. The name was gifted to LMO by a group of Secwepemc speakers to honour the territory. “A Place of Belonging” is the name of LMO’s first housing project and honours the Métis and the efforts of the organization to bring this much needed project to life.

In Honour of *Alex’s Story*, Kikékyelc provides a culturally supported, safe and suitable home for youth who have fallen through the cracks on the housing continuum by housing First Nation, Métis, and Inuit youth (aged 16-24) who are aging out of care alongside Elders.



KIKÉKYELC: Project Partners



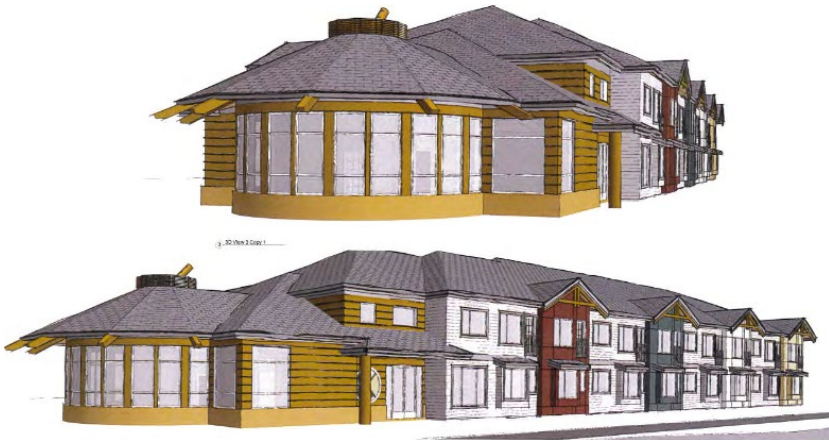
KIKÉKYELC: Structure

- Aboriginal Provincial Investment in Affordable Housing (BC Housing) Funding
- Unit purchase program
- City owned land – long term lease with BC Housing (ownership) – Operator Agreement with LMO
- Multiple iterations of structure analyzed related to lease structure and funder security
- AHMA providing operational subsidy and support for on-site tenant support workers



KIKÉKYELC: Development

- 31 units of affordable housing for Indigenous youth aging out of care and Elders
- Studios and one-bedroom suites
- Two story, wood-frame construction
- Surface parking
- Kekuli gathering space and communal kitchen
- Youth employment during construction



KIKÉKYELC: Development Costs, Funding and Rents

PIBC PIN Affordability Webinar – May 29, 2024

Project Costs	
Soft Costs	\$1,965,771
Construction Costs	\$4,690,648
Land Acquisition Costs	\$420,000
TOTAL	\$7,076,419

Project Equity	
BC Housing	\$5,005,281
Municipal Contribution	\$500,086
CMHC Seed	\$30,000
Mortgage	\$1,541,000

KIKÉKYELC: Development Costs, Funding and Rents

PIBC PIN Affordability Webinar - May 29, 2024

Setting Rents (Prior to Construction)

Operating Costs	\$557 PUPM
Net Operating Income (NOI)	\$202 PUPM
Rents	\$560-\$675
Mortgage Payment	\$184 PUPM

During Construction Co-Investment
Contribution was applied for and approved

Setting Rents (Post Co-I Contribution)

Mortgage (Pre-Co-I)	\$1,541,000
Co-I Contribution	\$1,541,000
Rents	\$375-\$475
Mortgage Payment	\$0



A Non-Market Developers Wish List & Things to Consider As a Local Government when you ...

...try to secure non-market housing in your community

- Funders like clarity – Bylaw > Application
 - E.G. Parking Maximums v. Variances
 - DCC Waiver v. application to waive
- Non-Profits, don't typically have a lot of cash sitting around to put a project together with
 - Self-Funding (capital away from mission)
 - Early dollars from a funder are limited
- What does the municipality need to make a decision?

...put a Housing Agreement into Place

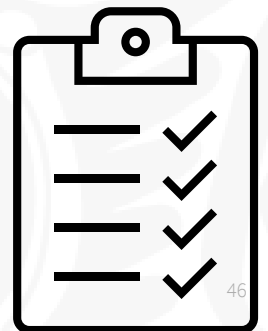
- Be thoughtful if you are defining affordability in your local government context and applying it through a Housing Agreement (in Non-Market context)
- Be open to being flexible knowing a senior government funder will come in and tie everything up
- Be clear with your intent from the start

...update your OCP/HNR

- Consider the Non-Profit Sector
 - Consider their assets – Non-Profits don't always own the land you typically think of for 'density'
 - Non-Profits do have the mission and access to funding to secure affordable housing in community.
- Consider Mission Driven owned lands for pre-zoning/Density provisions
 - Service Providers and Faith-based groups for Density

Wish List

- Be clear up front – know what you are asking and what other divisions are asking (e.g. engineering)
- Provide a realistic timeline and endeavor to stick to it – Be predictable
- Have a Champion internally from start to finish – cross departmental
- Bylaws > Applications
 - As of right allowances
 - Black and White. Grey makes things harder
- Financial requirements closer to post-Building Permit
 - EX: Muni requires full DCC at BP, waiver comes back at completion – this is a cashflow, impacts interest > impacts rent
- Approach with curiosity and collaboration
- Prioritized development review
- Rapid Deployment/incentives only NPO can access



Thank you!

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