Vancouver Community Land Trust Foundation

Examining a model for long-term housing affordability

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CHF BC

BCNPHA
BC Non-Profit Housing Association

SCARP
School of Community And Regional Planning

canadian centre for community renewal

BALTA
The BC-Alberta Social Economy Research Alliance

About the Case Study

This case study was produced by SCARP Masters Candidate Kristin Patten, under the guidance of a Steering Committee composed of the Co-operative Housing Federation of BC, the BC Non-Profit Housing Association, the School of Community and Regional Planning, the Canadian Centre for Community Renewal and the BC-Alberta Social Economy Research Alliance (BALTA). The author wishes to thank the following for their time, insights and assistance: Bonnie Rice, Darren Kitchen, David Lach, Garth Davis, Genevieve Bucher, Jill Atkey, Kira Gerwing, Mike Lewis, Penny Gurstein, Susana Cogan, and Thom Armstrong. Thanks to Don McNair of McNair Editing for his help on one of the tables.

EXECUTIVE SUMMARY

This case study examines the Vancouver Community Land Trust Foundation (Land Trust), a project being implemented in Vancouver, BC by a consortium of non-profit organizations, social finance[1] institutions and the municipal government. The case study was created in order to describe and examine the Land Trust as a potential model for providing long-term affordable housing without senior government funding or ongoing operating subsidies. Metro Vancouver is experiencing a crisis in housing affordability and there is a need for innovative solutions to the crisis. It is hoped that this case study will be useful for governments, non-profit organizations, social finance institutions and other actors that may be interested in replicating the model in Metro Vancouver and beyond.

The Mayor's Taskforce on Affordable Housing, and a resulting Request for Expressions of Interest (RFEOI) put forward by the City of Vancouver in August 2012 provided the catalyst for the consortium of non-profit, social finance and professional organizations to come together under the umbrella of the Land Trust. However, in the years prior to the Taskforce, these same actors had all been looking at the big picture of affordable housing in the region, and putting in place the structures that enabled them to quickly come together with the innovative Land Trust model when the RFEOI was issued. The overall initiative can be seen as the result of strategic actions by and between various actors converging in the emergence of a strategic *social-public*[2] partnership – a collaboration between the municipality and social actors for the long-term delivery of affordable housing.

The Land Trust project provides 358 units of non-market rental housing on four sites. The City of Vancouver is leasing the land at the four sites through 99-year leases at a nominal rate. The Land Trust, a non-profit organization established by the Co-op Housing Federation of BC, is the lead proponent in the project. Non-profit and co-operative organizations will operate units for a diverse range of tenants, including low-income families and individuals with mental health and / or addictions. A key feature of the project is a 'portfolio approach' that is enabling efficiencies in developing and operating the site, as well as enabling cross-subsidization from higher rent units to lower end of market units across the portfolio. Units will rent at varying levels of affordability ranging from units for those living on income-assistance to units renting at close to market rates. Overall units will rent at an aggregated maximum of 76% of market; within this aggregate, rents will range from 23% of market rents to 90% of market. The core commitment of the Land Trust to providing affordable

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[1] Social finance is 'an approach to mobilizing private capital that delivers a social dividend and an economic return to achieve social and environmental goals. It creates opportunities for investors to finance projects that benefit society and for community organizations to access new sources of funds' http://www.esdc.gc.ca/eng/consultations/social_finance/about.shtml.

[2] The language of social-public partnership, as opposed to public-private partnership, is emerging to describe partnerships between the state and social economy actors (non-profits, charities, social enterprises, co-operatives, social finance institutions) to design and deliver services (CCCR, personal communication, March 30 2015; the Scottish Government 2011). However, there was debate amongst partners as to whether *social-public* or *social-public-private* partnerships best describe the Land Trust model.

housing, and agreements with the City on affordability requirements ensures long-term affordability. Construction is due to start on the first two projects in the spring of 2015, with completion and occupancy in 2017–1018.

No one piece of the financing structure unlocks affordability; rather, it is the collective impact of all the different kinds of investment, combined with the cross-subsidies built into the business model that make it work. In particular, the City of Vancouver's investment through the discounted land-lease along with the strong participation of social finance institutions stand out as critical features of the project's funding.

As well, the agreement between the City and the Land Trust anticipates operating surpluses that will be used for future expansion of affordable housing. Surpluses will be split between the Land Trust and the City of Vancouver. In addition to reinvestment in new affordable housing units, surpluses can also be used to deepen affordability for low and moderate-income people living in the existing Land Trust units.

The potential for replication of the Land Trust model is unfolding in the context of the transfer of provincial land assets to social housing organizations starting in 2014 as well as the end of Canada Mortgage and Housing Corporation's operating agreements and their related mortgages. The Land Trust may provide a model for non-profits, co-ops, municipalities and other actors to leverage under-developed land that is already owned by the community or municipalities for affordable housing without ongoing government subsidies. The case study identified significant strengths in the model as well as some initial lessons learned. In particular, replication of the model will require commitment and leadership from government and social finance institutions collaborating in social-public partnerships with non-profit and co-operative housing organizations.

In the unfolding provincial context, there is a particular opportunity for non-profit and co-operative associations to redevelop their own properties. Considerable sophistication and capacity is required to manage their own development; there is a gap in experience and equity and some may not be willing to assume the risks of redevelopment. In considering the Land Trust as a potential model for redevelopment, challenges that have emerged to date, such as tensions around decision-making and the reality of the time involved in, will have to be considered.

Finally, the Land Trust is in early days of implementation; a Development Agreement has been signed but construction had not yet begun at the time of publication of this case study. As such, the analysis contained in this case study must be read with the caution that this is a promising but not yet proven model.

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About Community Land Trusts

Community Land Trusts (CLTs) acquire land in various ways and hold it in trust for the community to provide affordable housing, usually for low- to moderate-income families. A CLT typically separates the value of the land from the buildings on the land – removing the land from the private market. CLTs include housing with private ownership, co-op ownership and rental and non-profit rentals. In home ownership models, the CLT owns the land and the individual owns the home with resale formulas preserving the long-term affordability. In rental models, CLTS may own and run the housing or lease land on a long-term basis to a non-profit or co-op housing organization. CLTs are well established in the United States and Europe but relatively new in Canada. A typical CLT includes many of the following features:

- Registered as a non-profit organization.
- Formed at the grassroots level and controlled by its members. A 'typical' Community Land Trust Board of Directors includes 1/3 CLT residents, 1/3 community residents that do not live on CLT land and 1/3 community representatives (social service providers, public officials, local businesses, housing professionals, etc.). However, there are many alternatives to this structure; a 2005 CMHC study recognizes co-operative housing Land Trusts as one type of sector-based Land Trust that is a 'variation on a theme' of the typical Land Trust model.
- Retains ownership of land; grants the right to use that land to third parties through long-term leases.
- Ensures perpetual affordability by limiting resale value and / or controlling rents. In ownership models, any profits are usually split between the owner and the CLT. These controls are written into lease agreements.

  (CMHC 2005b)

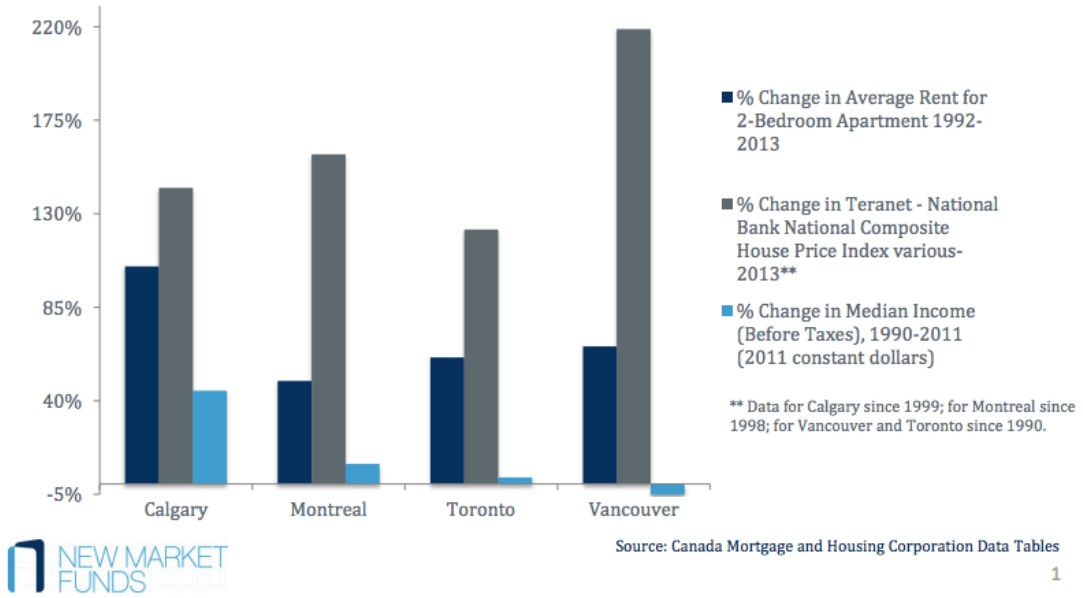
The Vancouver Community Land Trust has some of the features of the typical Land Trust model, including the commitment to preserving long-term housing affordability for low- to moderate-income families. However, as noted above, the Land Trust could be considered a variation on a theme of the typical model, particularly in regards to its governance structure. As well, in the Land Trust project, the *City of Vancouver* is also taking on some elements of a CLT; the city retains ownership of the land over the long-term, and is granting the right to use that land through the long-term leases. As well, the city is taking steps to ensure perpetual affordability by writing affordability requirements into the lease agreement between the City and the Land Trust. These are functions that CLTs typically perform.

Going forward is important to note that the City's newly created housing authority, the Vancouver Affordable Housing Agency (VAHA), has as one of its key mandates the leveraging of city-owned land for affordable housing to meet the City's targets. This may include long-term leases of City land; VAHA is looking at the Land Trust project as a potential model for future projects.

1. INTRODUCTION AND PURPOSE OF CASE STUDY

Vancouver's unaffordable housing is a long-standing topic of conversation amongst Vancouverites. While housing prices and rents have risen enormously, incomes have not kept pace – in fact, incomes have declined in Vancouver in real terms in the past 20 years. This gap between incomes and rents or housing prices is being felt not only in Vancouver, but in cities across Canada.

Figure 1: Home prices and average rents have increased dramatically while median incomes have remained flat (except for Calgary)



Source: New Market Funds.

At the same time that the market rates for housing have become increasingly unaffordable, senior governments since the mid-90's have been exiting funding new housing targeted at low and moderate income people. As a result, meeting the challenge of affordable housing has been downloaded onto other actors.

Vancouver is home to an abundance of non-profit organizations providing social housing and municipal governments are increasingly using a variety of tools at their disposal to try and address the growing challenge. While commendable, these efforts have not been able to close the gap in any substantive way between housing need, incomes and affordable housing supply in the region. As a result, Vancouver's housing crisis is affecting not only those living at the margins, but those across the low and middle-income brackets. For many in the housing sector, Vancouver is at a critical junction in affordable housing, and there is the real possibility that the current crisis could get worse. At the same time, creative actors

within the housing sector are forging new ways of providing affordable, appropriate housing. It is in this context that the Vancouver Community Land Trust Foundation project (Land Trust) is being implemented as a potential model for providing long-term affordable housing in Vancouver and beyond.

Methodology

This case study investigates the Land Trust project within the broader context of affordable housing, and aims to answer the following key questions:

- What is the context out of which this particular project emerged?
- What has the process been for implementing this project, including a detailed description of the project?
- Who are the key actors involved in the project and what are their key roles, perspectives and learnings?
- What are the issues arising through the implementation of this project for public policy and civil society?

The source material for the case study included key informant interviews, website materials and published studies and documents. The following interviews were conducted:

- Co-op Housing Federation of British Columbia (CHF BC): Thom Armstrong, Executive Director and Darren Kitchen, Government Relations Director
- Vancity Credit Union: Kira Gerwing, Manager, Community Investment
- City of Vancouver: Genevieve Bucher, Senior Planner, Social Infrastructure
- Tikva Housing Society: Susana Cogan, Housing Development Director
- Sanford Housing Society: Bonnie Rice, Executive Director
- New Market Funds (NMF): Garth Davis, CEO
- Canadian Centre for Community Renewal (CCCR) and the BC-Alberta Social Economy Research Alliance (BALTA). Michael Lewis provides leadership in each.

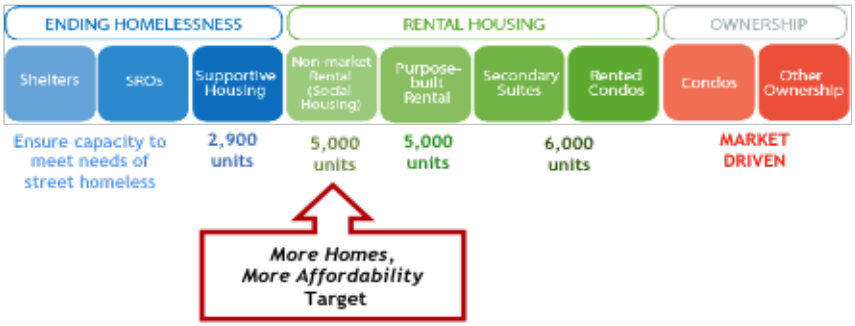
2. THE MAYOR'S TASKFORCE ON HOUSING AFFORDABILITY: CATALYZING THE OPPORTUNITY

Affordable housing has increasingly been on the political and policy agenda in Vancouver. The City's Housing and Homelessness Strategy 2012 – 2021 describes the City's overall direction for housing and 'aims to end street homelessness and provide more affordable housing choices for all Vancouverites' (City of Vancouver 2012, pp. 5). However, it is the Mayor's Task Force on Housing Affordability that was cited consistently in interviews as the key policy document that created the opportunity for the Land Trust. The Taskforce, launched in 2012, focused on affordability solutions for moderate-income households earning between $21,500 (single) and $86,500 (combined) annually.

Recommendation #2 of the Task Force advocates for enhancing the City's and the Community's capacity to deliver affordable rental and social housing. Under this

recommendation, the Task Force's final report identified the considerable land assets of the City as a critical component in addressing affordability, and recommended leasing land at a nominal rate to create new social and affordable rental housing. The report also identified Community Land Trusts as a potential vehicle for creating affordable rental and ownership options. In fact, discussion on this issue triggered a quick start action prior to the release of the final report that saw the City issue the *More Homes More Affordability* Request For Expressions of Interest (RFEOI) in August 2012 to create new affordable housing on six city-owned sites. It was this combination of the Task Force recommendations and the RFEOI that provided the immediate catalyst for the Land Trust project.

Figure 2: Target of the More Homes More Affordability RFEOI in relation to the housing spectrum



In response to the RFEOI, a consortium of partners put together a proposal for four of the six sites[3] under the umbrella of the Land Trust[4], assembling an impressive team of non-profit and private sector partners.

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[3] The consortium's proposal focused on four of the six city-owned sites. Another non-profit organization was putting together a proposal for the remaining two sites; the consortium was in support of this other proposal and did not want to compete with another strong non-profit proposal.

[4] The original proposal was submitted under the Community Housing Land Trust Foundation, a charity established by CHF BC members in 1993. After the RFEOI a new land trust was established, called the Vancouver Community Land Trust Foundation, because of Canada Revenue Agency regulations regarding charitable activities. It is this new non-profit Land Trust that is now the umbrella organization for the project.

Non-profit partners in the submitted proposal also included the Housing Foundation of BC, a non-profit organization providing rent-controlled housing to low-income Vancouver residents. HFBC withdrew from the proposal after the successful RFEOI. According to HFBC's ED, once the organization had more time to review the location and details, it became apparent that the location did not meet the organization's criteria for developing projects (for example, close to shopping, transportation and amenities).

Land Trust project: Partner Organizations

Vancouver Community Land Trust Foundation
The Vancouver Community Land Trust Foundation was established in 2014 as a non-profit society to acquire, create and preserve affordable housing for future generations. The Land Trust is the lead organization for the project.

The Co-op Housing Federation of BC (CHF BC)
A co-operative association made up of member housing co-ops and related organizations in British Columbia. The Land Trust is a non-profit organization established by CHF BC.

Sanford Housing Society
A non-profit organization providing quality supported housing to persons living with a mental illness and / or an addiction.

Tikva Housing Society
A non-profit organization that works to provide safe, affordable housing primarily for working-age Jewish low-income adults and families.

Terra Special Projects Ltd.
A development management firm that works with organizations seeking to provide housing and associated services to low- and middle-income households.

Vancity Credit Union
A credit union that has as one of its primary objectives, to increase its impact lending by focusing on affordable housing and social purpose real estate.

Fraserview Co-op
A new co-operative, Fraserview Co-op, was later created to operate co-op units as part of the project.

Other professional partners
Other partners included COHO Management Services, DYS Architects, Performance Construction and Colliers International.

3. EMERGENCE OF THE LAND TRUST

Behind every successful proposal or project is, of course, a much more in depth story of what enabled that success. Underpinning the catalyst of the Mayor's Task Force and subsequent RFEOI, the various actors involved were taking actions and seeking opportunities in ways that were critical to the emergence of this project.

City of Vancouver

The City's decision to offer city-owned land for affordable housing development and how it went about this involved a number of underpinning factors. Affordable housing is a strong priority of the current council, with the recognition that the housing situation in Vancouver is dire for many people. Looking out on the horizon, the City has been coming to terms with the fact that senior governments are not going to invest significant resources in housing in the foreseeable future; staff and council were looking for innovative solutions to the city's affordability crisis. This innovation did not emerge without contention. The Mayor showed political leadership in appointing people to the Mayor's Task Force beyond "the usual suspects". A Taskforce member commented that, "There was a significant struggle on the Task Force to have the concept of a Community Land Trust introduced and debated. I am convinced that if this battle had not been won the city staff would not have had the political space or mandate to work on this" (CCCR, personal communication March 30 2015). As well, the Mayor's Taskforce had recognized that the City of Vancouver has a fairly unique asset in the amount of developable land that it owns in its Property Endowment Fund. The scale of land that Vancouver owns is notable; few municipalities own as much developable land.

Previously, long-term leases of city-owned land for non-market housing involved a partnership with BC Housing, the provincial housing agency. These complicated deals involved the city contributing the land, and BC Housing investing significant resources to develop the housing[5]. With no new senior government funding coming to the table, the City's 2012 *More Homes More Affordability* RFEOI offered long-term leases of city land for non-market rental housing without any accompanying long-term subsidies. And, the city did this in a remarkably open way: stipulating the required affordability goals but not restricting who could put in a proposal or how the goals were to be achieved.

[5] In 2007, the City of Vancouver partnered with BC Housing to develop social and supportive housing on 14 city-owned sites. All the buildings were scheduled to be completed by 2014, adding 1200 new non-market rental units. Once completed, the buildings will be leased at nominal rents to non-profit housing operators for 60 years http://vancouver.ca/people-programs/14-new-supportive-housing-projects.aspx

Vancity and CHF BC

Vancity and CHF BC have a longstanding relationship; together the two organizations were exploring opportunities to leverage existing infrastructure to develop more non-profit housing. Part of CHF BC's assets included a Community Land Trust Foundation, established as a charitable non-profit in 1993. While the aim of the Foundation was to acquire, create and preserve affordable housing, at the time it hadn't been used to develop any new housing.

The two organizations had ongoing conversations in the context of some restructuring at Vancity. A few years prior to the Mayor's Task Force, a new Vice President at Vancity with a background in non-profit real estate development formed the Community Investment department with the mandate to 'lend to and invest in businesses, organizations and initiatives that create positive social, economic and environmental impacts in the community' (Vancity 2015). This explicit commitment to investment with a positive community impact identified a number of key focus areas, including 'impact real estate', the development of community-owned real estate assets.

Vancity's Community Investment department had identified the capacity of the non-profit sector to become real estate developers in their own right as a significant gap in the landscape of affordable housing development. Experienced non-profits with an understanding of real estate economics, with equity, real estate development expertise, technical savvy around financing and access to financial resources could "reap the same benefits as market developers have been reaping, but doing so in favour of *mission* rather than in favor of shareholder obligations" (Vancity, personal communication, Feb. 10 2015). Vancity saw CHF BC as a proven, capable partner who had all the building blocks to do so – except the real estate development expertise.

The new Vancity department is, according to CHF BC's Government Relations Director "more activist and risk-tolerant…much more willing to commit resources in a serious way" with respect to housing and community investment (CHF BC, personal communication, Feb. 5 2015). This risk-tolerant culture would prove to be critical to the project's success. Vancity had been analyzing how they could support non-profit partners during each stage in real estate development, including access to capital through a combination of grants and loans. Through these, the Land Trust was able to access $2 million in pre-development funds from Vancity upfront with few 'strings attached'. For Vancity, this was an investment in strengthening the capacity of CHF BC and the Land Trust as non-profit developers. This support was crucial in the early stages, when funds are particularly hard to access yet there are many up-front expenses involved to move from concept to feasibility to construction.

When the City of Vancouver's RFEOI was issued, there was a clear fit with the mission and values of both Vancity and CHF BC. Through conversations in response to the RFEOI, the idea emerged that CHF BC's Land Trust could serve as a convenient 'focal point'– the Land Trust could be one point of contact for the city in an integrated portfolio approach that could leverage four of the six sites identified in the RFEOI, with multiple non-profit partners. The Land Trust had the added 'cachet' of being called a Community Land Trust –

one of the recommendations in the Mayor's Task Force report. The more that they explored the opportunity, the more CHF BC and Vancity became interested in the potential economies of scale, and by extension the affordability that could be achieved.

Tikva and Sanford Housing Societies

Tikva and Sanford Housing Societies, the two non-profit partners in the consortium, had been actively looking for ways to build more non-profit housing before the advent of the Mayor's Task Force. Both societies had some of their own equity, and had been looking for an existing building they could acquire and renovate. After years of independently looking (often at the same sites) they decided to seek property together but had still come up empty handed in Vancouver's hot real estate market. Tikva and Sanford also had prior relationships with Terra Housing Consultants, another actor involved in the project from the early days of concept development. When the RFEOI was issued by the city, the opportunity was clear, and both Tikva and Sanford were invited to participate in the proposal.

A team assembled

The team that was assembled across the co-op and non-profit sectors had a strong alignment of missions, a shared commitment to affordable housing and strong reputations and track records in managing affordable housing. Along with capital to invest in the project, Sanford, Tikva and the Co-op Housing Federation of BC brought particular skill sets and experience in working with their target populations, creating a diversity of target populations in the proposal. The expertise of Terra as the development consultants built the confidence of the non-profits in the affordability analysis put forward in the proposal. Vancity brought impact real estate expertise as well as grants and risk capital to bear in the early stages of the project. Other professional organizations with experience in social and affordable housing development rounded out the team. The consortium was successful in their proposal, and negotiations with the city to implement the project began.

Timeline: Emergence to Anticipated Completion

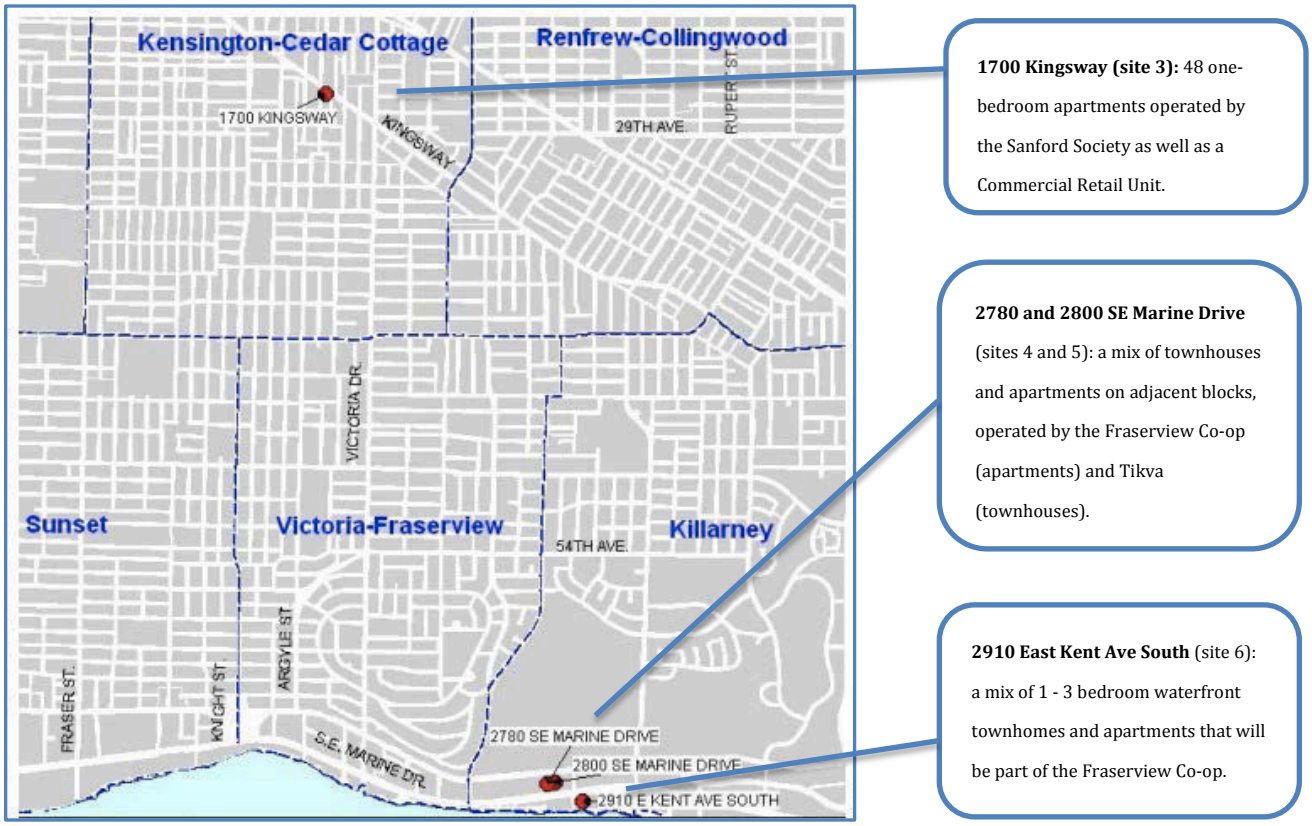
- 1993: Land Trust established by CHF BC as a non-profit that aims to develop and preserve affordable housing
- December 2011: Mayor's Task Force on Housing Affordability established
- August 2012: More Homes More Affordability, Request For Expression of Interest to create affordable housing on six sites of city-owned land
- September 2012: Land Trust submits proposal for four of the sites
- November 2012: Council directs city staff to proceed with negotiation of MOU with Land Trust
- May 2013: Council approves MOU. Staff authorized to negotiate legal agreements.
- October 31, 2014: Development Agreement between City and Land Trust signed.
- April 1, 2015: Lease Green Light agreement – the 99-year lease commences.
- 2017 – 2018: Targeted dates for completion of construction and occupancy.

4. THE LAND TRUST PROJECT: KEY FEATURES

Overview

The City of Vancouver is leasing land at four sites to the Land Trust. They agreed to a deeply discounted 99-year lease, representing a significant investment on the City's part. The Land Trust is the principal proponent; all agreements are between the City of Vancouver and the Land Trust. The Land Trust will enter into operating agreements with each of the non-profit providers to operate housing on those sites. In total, 358 non-market housing units will be provided, including 176 one-bedroom, 85 two-bedroom and 97 three-bedroom units. (See Figures 3 and 4 for details). There will be no ongoing operating subsidies provided from the city or other levels of government. At the end of the lease, the land and building will revert back to the City's ownership (although this will be open to renegotiation).

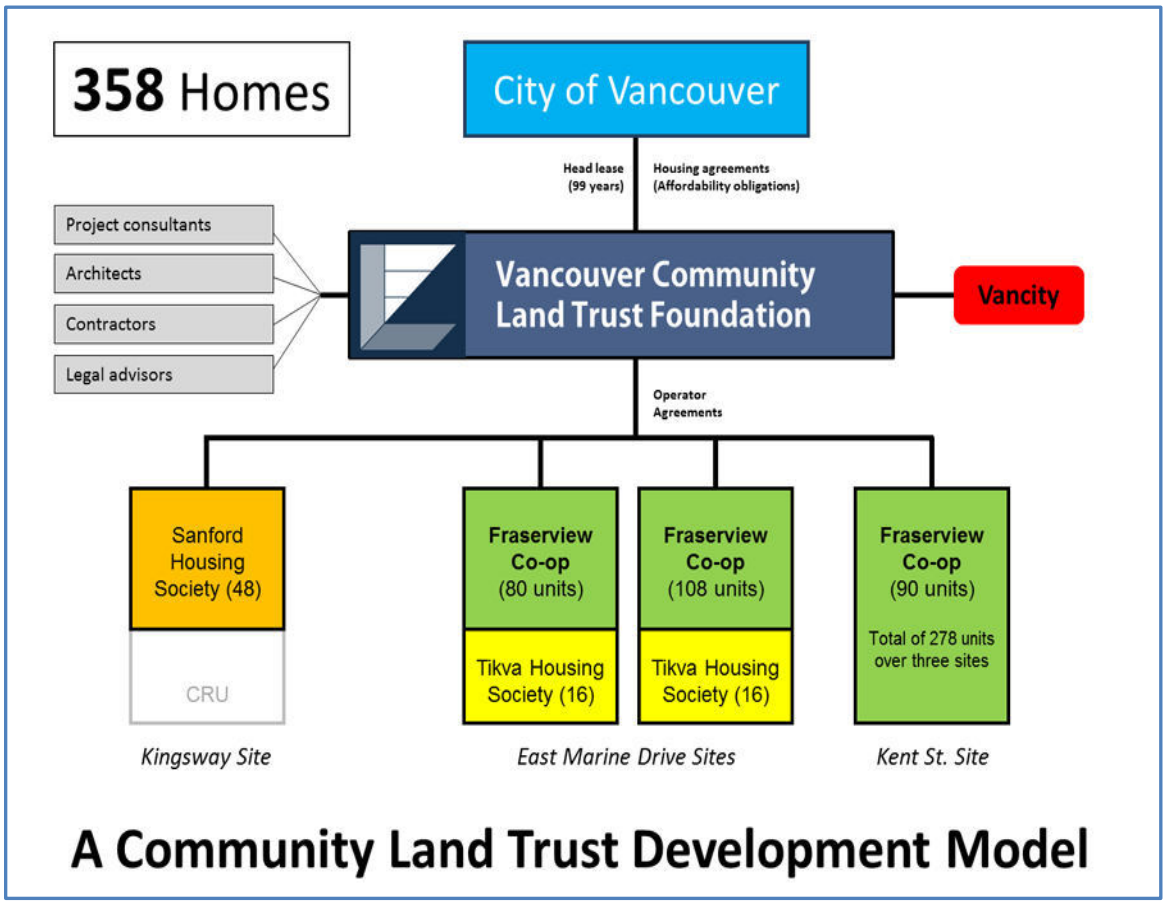
Figure 3: Site locations



Governance and decision-making

The Land Trust is the lead decision-maker for the consortium of partners in negotiations with the City. The Board of the Land Trust is the same as that of CHF BC[6]. Sanford and Tikva will participate as Corporate members. Currently, the Land Trust and the non-profits are puzzling through how decisions will be made during operations, and are creating a 'Portfolio Administration Agreement' that outlines items such as how decisions will be made, roles and responsibilities. The crux of the discussions has been figuring out how to distribute functions – identifying what are *portfolio*-level responsibilities and what are *partner*-level responsibilities. The operating partners will be responsible for managing and operating housing on sites, including repair, maintenance, capital replacement funds, utilities, insurance, etc. Tenants will be selected by the non-profit managing partner, in line with stipulations outlined in the Development Agreement (for example, priority is given to Vancouver residents). Ultimately the Land Trust is liable to the City for all obligations.

Figure 4: the Vancouver Community Land Trust Foundation project



Source: CHF BC, http://www.chf.bc.ca/partner/vancouver-land-trust

[6] The Board of Directors of the Co-op Housing Federation of BC is elected by CHF BC members.

Portfolio Approach and Lease Structure

One of the key features in the Land Trust project is the 'portfolio approach' – a single organization developing and operating the four sites as a portfolio, rather than single sites held by different organizations. This allows for cost-efficiencies in construction and operation of the four sites. A key opportunity is the redistribution of rental income between the Fraserview Coop housing on East Kent, a prime waterfront site where rents here will be 90% of market, and the other sites targeting lower income people which will be renting at much lower rates. This business model helps deepen the affordability of units for lower income people. In addition, a Commercial Retail Unit (CRU) at the Kingsway site will be sold as a pre-paid 99-year sublease. The capital generated from the sale will be used to reduce the amount required to finance the whole project.

Although a portfolio approach is used in other jurisdictions such as Australia, it's uncommon in BC and the rest of Canada. Many non-profits in BC may own or operate multiple social housing buildings; however these are almost always site and subsidy specific and therefore don't offer the opportunity to transfer resources from one to the other[7]. The same is true in BC's co-operative housing sector – each co-op is operated independently. As well, although cross-subsidizing from market to non-market housing is a common feature in BC's social housing sector, cross-subsidizing *between* non-profit partners is new. "It's the 'Robin Hood' approach" says Tikva's Housing Development Director. "Nobody else does this" (personal communication, Feb. 24, 2015).

Having multiple sites also meant that a diversity of populations could be housed within the project, including low-income families and people living with mental health and addictions. These residents will be supported by the non-profit partner organizations, who bring expertise and resources for those populations. Sanford works primarily with people on income-assistance with mental illness and / or addictions. For Sanford's Executive Director, this population can be more difficult to house in a mixed-income project, primarily because of levels of support for independent living that can be required. Here, the multi-site mixed-income model is an advantage: "The fact that you've got cross-subsidies across various projects allows for more a lot more flexibility in how you populate those projects" (Sanford, personal communication, March 10 2015).

The portfolio approach also made the project financing much more feasible. The original proposal envisioned long-term sub-leases to the non-profit operators of each of the sites. However, the sub-leases proved a challenge for underwriting the financing. Each site would have needed to be considered on its own merits (despite the stated intention to cross-subsidize between sites). Some sites were clearly not financeable on their own while others, the Kent Ave South waterfront site in particular, were 'money generators'. The decision was

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[7] This is a function of the funding model in BC and the rest of Canada, and will change with the upcoming expiry of operating agreements between the Canada Mortgage and Housing Corporation and non-profit or co-op housing providers.

made to shift to a single long-term lease of the sites in order to enable financing (leading to some tensions that will be explored later on).

The portfolio approach was seen as a significant strength by the City: efficiencies could be realized, affordability maximized and locked in, and financial stability improved. This latter advantage was tested in the development stage when one of the original partners, BC Housing Foundation, decided to withdraw from the project. In a single site project this may have been disastrous, however, because of the Land Trust platform, the withdrawal was 'just a hiccup'. BCHF's units were absorbed by existing partners.[8] To CHF BC, this event demonstrated the resiliency of the project approach and served to increase the confidence in the approach they were taking to leverage the Land Trust model.

Operating revenues and surpluses

The project anticipates achieving financial sustainability within the first year after full occupancy has been reached. Agreements between the City and the Land Trust stipulate how operating revenues and surpluses are to be used. The project is first required to pay into a capital maintenance reserve and an operating reserve. After paying into these reserves, any surpluses are dedicated first to debt financing and then to re-paying the project equity. Beyond this, operating surpluses are to be split 50-50 between the Land Trust and the City of Vancouver. The Land Trust can then pay back the partner equity and choose to build new non-market rental or co-op housing or deepen the affordability of existing units by keeping rents lower than the agreed-upon affordability requirements.

Affordability

The design of the rental mix aimed to create as many affordable units as possible without compromising the long-term financial sustainability of the project. The exact rents for each unit have not yet been determined; this will be done at rent up – after building construction and prior to occupancy. However, what has been agreed upon in the Project Development Agreement is *maximum aggregated* rents for the project, and *average* rent targets for each site and unit type.

The agreement between the City and the Land Trust stipulates an aggregated maximum of 76% of market rents for the Kingsway and Marine sites combined, and an aggregated maximum of 90% of market rents[9] for the East Kent waterfront site. With respect to average rents, some will be lower than the proposed average while others will be higher. What is required is the aggregate market rent and average target rents come in at or below the *maximums* set out in the Development Agreement.

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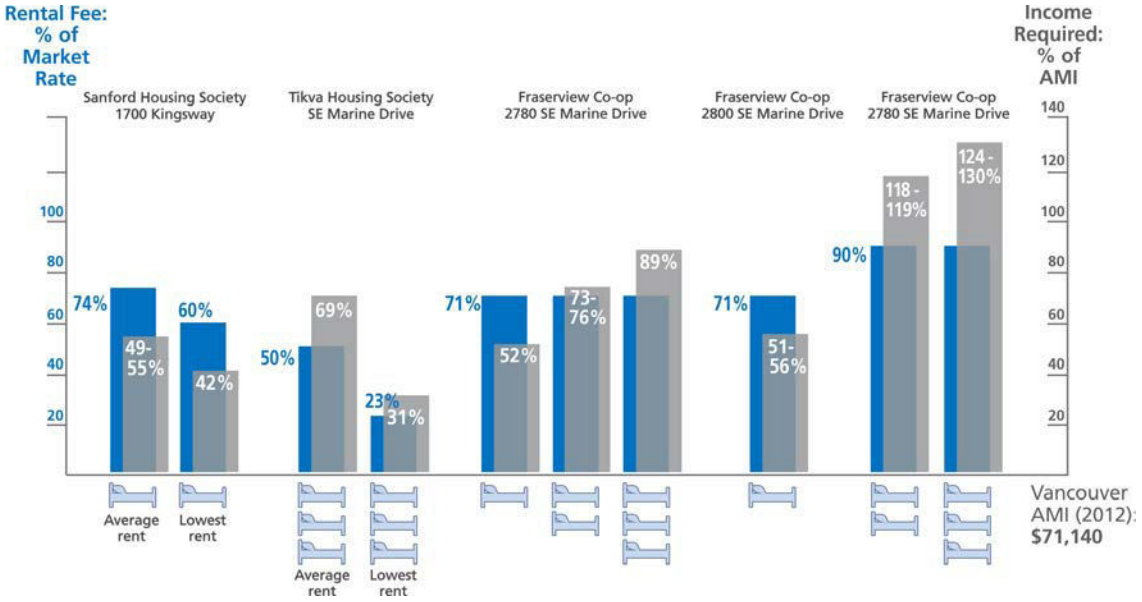
[8] BCHF's units were taken on by the Fraserview Coop.

[9] A Market Rental Analysis conducted by a consultant determined what the third party market rent is for each unit size. The project rent ceiling will be adjusted annually at same rate as decreases or increases in market rents, according to CMHC's market rent survey.

When putting together the initial proposal, each partner came to the table with what they wanted in affordability as a starting point. These will guide the partners when deciding rents during rent-up.

- **Tikva Housing Society:** Target rents will start at the provincial shelter allowance rate of $560 / month for a single parent family. Some of Tikva's 32 units will rent at deep subsidy with others renting at higher rates. Overall, Tikva's rents will average out at $1236 for a 3-bedroom unit.
- **Sanford Housing Society:** Target rents will start at the provincial shelter allowance rate of $750 under Vancouver Coastal Health's Supported Independent Living program. Approximately half of Sanford's 48 units will rent at $750 while the other half will be low-end of market. Overall, Sanford's rents will average out at $897–972 for a 1-bedroom.
- **Fraserview Co-op:** The Co-op will house a diversity of income levels in 1, 2 and 3 bedroom units. Rents will vary according to unit size and location. 90 units renting at 90% of market at the East Kent site will cross-subsidize those renting at more affordable rates across the portfolio, leveraging this site's prime waterfront location.

Figure 5: Proposed Rents and Income Required as Percentage of AMI



Notes and sources:

1. *Source, proposed average rents, % of market, and income required: Kingmarket Project Funding-Delivery Agreement, Exhibit "E" Effective Date Pro Forma. See Appendix A for additional details on proposed rents in the Development Agreement.*
2. *Source, Tikva and Sanford target rents: Tikva, personal communication, Feb. 24 2015; Sanford, personal communication, March 10 2015.*
3. *Income required: % of AMI: This represents the yearly income required to rent a unit as a percentage of the Area Media Income (AMI). The AMI per household for Vancouver in 2012 was $71,140 (http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/famil107a-eng.htm).*

5. PROJECT FINANCING

Developing new housing is expensive, a reality that makes affordable housing exceptionally challenging, particularly so when the Vancouver market has risen so drastically in relation to incomes. The Land Trust project is attempting to create efficiencies in development that will reduce overall costs. However, even with the significant efficiencies designed into the project, the overall costs will require a combination of funding sources to make the project economics work. No one piece of the funding picture unlocks affordability; rather, it is the collective impact of all the equity pieces, combined with the cross-subsidies that makes the business model work. This section provides a summary of the funding sources and a more detailed description of each source. In particular, the City of Vancouver's land-lease contribution and the strong participation of social finance institutions stand out as critical features of the project's funding.

Figure 6: Pro Forma Summary as of October 30, 2014

Type	Source	$ Amount	% of Total*
Land-lease Equity Contribution	City of Vancouver	$24.66M	23.1%
Project Equity	New Market Funds	$10.95	10.3%
Partner Equity	Non-profit partners	$4.8	4.5%
Co-investor Equity	BC Housing	$4.0	3.8%
Other	Sale of Commercial Retail Unit	$4.91	4.6%
Debt	(to be determined)	$57.39	53.8%
TOTAL PROJECT FUNDING		$106.66M	100%

Notes and sources:

1. *Source, Kingmarkent Affordable Rental Housing Project Development Agreement: Exhibit E: Effective Date Pro Forma' (City of Vancouver 2014).*
2. *Dollar amounts and percentages are rounded up.*

Land-lease, City of Vancouver

The City of Vancouver has contributed land at the four sites through a 99-year lease on the land at a nominal rate. In valuing the land, the City considered the 99-year lease to be equivalent to 95% of the freehold value of the sites (because of the various restrictions on how the land can be used under the Development Agreement). As well, the land was included as an equity contribution in the pro forma, rather than being valued at the nominal rate the city charged. This positively impacted the assessed land-to-value ratio of the

project and increased the project's ability to get financing. The four sites are part of the City's Property Endowment Fund (PEF); the PEF will be reimbursed from City-Wide Development Cost Levies (DCLs) and Area Specific DCLs, as part of the City's 2013 Capital Plan for new non-market rental housing.

The City's contribution of land was a critical piece to the project's affordability. 'There's no way that you can do anything affordable unless you have some significant form of subsidy. In this case it's the City of Vancouver's willingness to contribute the land to the Land Trust that allows for the affordability" says New Market's CEO (New Market Funds, personal communication, March 24 2015). The land contributed by the city provided approximately 23% of the project's value.

Project Equity, New Market Funds[10]

New Market's Affordable Housing fund provides non-profit partners with equity capital for affordable rental housing. In the Land Trust project, New Market comes in as a Limited Partner, and is anticipating providing post-construction mid-term equity of almost $11M, representing approximately 10% of the total project funding. After rent-up, the New Market equity will stay in the project for an estimated 8 years, during which the Land Trust will pay down a portion of the mortgage. After the 8 years, it's anticipated that the project will have the means to purchase New Market's equity. The targeted internal rate of return on investment for the New Market equity is approximately 7% (including 4%+ in quarterly distributions) – a market competitive rate for post-construction mid-term equity in multi-family rental housing in the largest Canadian metropolitan markets, especially given the risk level. To date, most of New Market's investors are foundations looking to align their investments with their values.

Typically non-profits and co-ops in Canada have been able to access either grant capital (whether land or cash) and mortgages for project funding; the New Market equity provides a tool to access investment capital that they haven't previously been able to access. In this project, the New Market funding was the 'last bit of cash equity that unlocks the financing of this project" (Vancity, personal communication, Feb. 10, 2015). In addition to the project economics, access to investment equity outside the public sector may shift the power dynamics within funding relationships. Public funding for non-profit housing typically comes with a host of terms and conditions with little negotiating power for non-profits asking for funds. In this project, the New Market equity has meant "We were in the position

[10] New Market Funds is a for-profit investment firm owned by a registered Canadian Charity formed by five sector leading organizations: Tides Canada Foundation, Trico Foundation, Bealight Foundation, Vancity Community Foundation and Le Réseau d'investissement social du Québec (RISQ). New Market Funds operates in the field of 'impact investment' – investing funds that offer market competitive financial performance with community benefit (New Market Funds 2015).

to make the decision about whether to invite BC Housing in to participate in the financing of the project" (CHF BC CEO, personal communication, Feb. 5 2015).

Co-investor Equity, BC Housing

BC Housing is participating in the project as an investment partner, contributing $4.0 million of equity. In return, BC Housing will own (but not operate) a number of units. The units will be operated by the non-profit partners.

Partner Equity, non-profit partners

Tikva, Sanford and Fraserview Co-op are bringing a total of $4.8 million in equity to the project. The non-profit partners are involved in the project not only as non-profit housing operators, but also as investment partners. The equity will be repaid through operating surpluses from the project. The equity that the non-profit partners are bringing was a key strength in the proposal, in the City's evaluation.

Sale of Commercial Retail Unit

A Commercial Retail Unit (CRU) at the Kingsway Site will be sold as a pre-paid 99-year sublease at an estimated value of $4.91 million. Proceeds from the sale will be used to reduce debt financing across the portfolio.

Mortgage and Construction Financing

Construction financing will be available from either Vancity or BC Housing. Mortgage financing will be an estimated $57.34 million. Either BC Housing or Vancity will provide the financing; who provides the financing and at what rates will be determined after the lease green light agreement.

6. STRENGTHS AND CRITICAL SUCCESS FACTORS

In examining the emergence of the project and its structure, a number of strengths and critical success factors are evident. There are also challenges and tensions; these are described in Section 7.

Innovative features used to achieve affordability

At the heart of the success of the project are the innovative features described previously, particularly:

- The portfolio approach that has enabled economies of scale and the redistribution of capital across the four sites, enabling cross-subsidizing of units;
- The long-term lease of city-owned land for non-market rental housing offered in a social-public partnership with non-profit organizations; and
- The ability to access a diverse range of financing types and sources, including grants and investments along a continuum of social finance types.

According to New Market Fund's CEO, there is significant innovation here in the blend of social finance types accessed in the project, with different emphases on financial return vs. impact priorities within each type. The Land Trust deals would not have advanced without social finance of all four types described working together:

1. The Vancity grants can be characterized as 'Venture Philanthropy' – grants tied to some very specific outcomes that also came along with a lot of first hand support in moving towards those outcomes.
2. The Partner Equity, Co-Investor Equity, and the Land can be characterized as "Impact First" investments that specifically prioritize the community impacts and the returns of more market-based financial capital ahead of its own financial returns.
3. New Market Funds' Project Equity can be characterized as "blended" investments where financial returns and community benefit share an equal status.
4. The Mortgage financing: either BC Housing or Vancity will likely provide the mortgage financing. Assuming the financing comes from Vancity or another financial institute, this could be characterized as "Financial First" capital in that Vancity seeks financial returns first and foremost, but will pursue opportunities where it does not sacrifice financial return to generate a community benefit.

   (New Market Funds, personal communication, April 14 2015).

The strength of these affordability innovations, in combination with the investment of the City has resulted in a model that not only doesn't require ongoing government operating subsidies but is in fact anticipating in the long term generating operating *surpluses* that can be used to build new non-market rental housing or deepen affordability of existing units. From the City's perspective, the level of affordability achieved by the project was a key component in its success in the RFEOI process. This use of innovation also speaks to the willingness of all of those involved to take the risk of trying new things.

Leveraging non-profit and City equity

The innovative features of the Land Trust model allowed the non-profits involved to significantly leverage their equity. Tikva and Sanford expected that they would be able to purchase approximately 8 – 10 units each with their original plan of buying and renovating an older building. "Going through that process of trying to do something with a very small amount of equity was a real eye opener" says Sanford's Executive Director. "To achieve any affordability levels without government subsidy is extremely, extremely challenging" (personal communication, March 10 2015). In comparison, as part of the Land Trust project, Tikva will operate an expected 32 units while Sanford will operate 48 units, at varying levels of affordability. As well, these are new units that won't require the same maintenance and renovation expenses as older housing stock. Housing staff at the City also see the ability to leverage the City's land asset as a real opportunity, in terms of the number of new affordable units created as well as the opportunity to create more units over time through the operating surplus.

Strength and commitment of the social finance sector

The project involved two key social finance institutions, Vancity and New Market Funds, both with a strong commitment to mobilizing investment for social and community benefit. The creation of the new Community Investment department at Vancity, with a more activist and risk-taking mandate in regards to impact real estate played a significant role in enabling the project to come together. In particular, the $2 million provided during the initial phases of the project was critical in moving the project from concept to feasibility. Almost all those interviewed cited this funding as critical to the project's success. Without it, the project would have experienced significant delays while scrambling to come up with funds to pay architects, move the project through development permitting, and other activities. As well, VP of Community Investment Andy Broderick brought experience with the US model of enabling non-profits to access private investment equity to the project. According to New Market's CEO, 'Without someone like Andy who has seen this highly functioning in the US, it would've been hard. It's way more powerful to have someone who's seen it and done it" (personal communication, March 24 2015).

Based on their shared community benefit objectives in affordable housing, Vancity brought New Market into the project, connecting the Land Trust to New Market's investment equity. The involvement of New Market provided access to a different type of investment equity – equity that is outside the public sector, a small but growing sub-sector of private capital that is looking for market competitive financial returns and community benefit. Given the lack of track record in partnerships like this, conventional financial institutions and private investors would likely not participate in a project of this type. As more projects like Land Trust are completed, and assuming a successful track record, the opportunity to attract more conventional capital for such projects should increase (Vancity and New Market Funds, personal communication).

Existing capacities and reputation of partner organizations

All of the non-profit partners involved have strong track-records and decades of experience in operating non-profit housing. This was a key part of the City's decision to move forward with the Land Trust project. As well, being seasoned housing operators with significant past successes under their belts meant that when the project encountered inevitable obstacles along the way, they knew they would get through those. 'Faith', according to Sanford's ED is an important piece of this – having faith in the bigger picture vision, and the collective ability of the partners to make the vision happen. Others involved in the project such as the architect and the lawyer had previous experience with social housing projects, enabling the project team to work effectively from a common basis.

Strong relationships and a common vision

Many of the partners involved had existing relationships prior to the Land Trust project. CHF BC had worked with the City on the Athlete's Village development, and with Vancity. Tikva and Sanford were intending to buy housing together. Terra Consultants had previously worked with most of the non-profits. These existing relationships built

confidence and trust in their ability to work together, and achieve the project goals. As well, the extent to which the various partners were already in or exploring partnerships with each other indicates the collaborative mind-set at play – all were clearly committed to collaborative endeavours.

Getting the right grouping of partners at the table was also key, not only in terms of internal capacities; strong mission alignment between the partner organizations has been important to keeping the project moving forward. According to a Senior Planner at the City of Vancouver, 'We're having difficult conversations all the time, but the commitment to continue to move forward and realize a common vision is a real strength' (City of Vancouver, personal communication, Feb. 16, 2015).

Stewardship of long-term affordability by the Land Trust

Among the big challenges for the City in the long-term delivery of affordable rental housing units is ensuring the affordability of those units over the long-term, as well as the ongoing monitoring requirements. A key advantage of this project from the City's perspective is that the Land Trust takes on the stewardship of the affordability of the units. There are reporting requirements built into the Development Agreement so the City does not have to invest significant resources into ongoing monitoring. As well, because the Land Trust is a non-profit whose sole goal is to create and operate affordable housing, the City has a high level of comfort in the security of the long-term affordability of the housing created (City of Vancouver, personal communication Feb. 16 2015). Here, profits and benefits from public assets remain in the hands of social actors with social goals, as opposed to the private sector.

Strategic attitudes and actions

Many of the interviewees referred to the opportune alignment of factors that enabled this project to come together. However, Vancity's Manager of Community Investment reminds that this was not entirely an accident: non-profits, social finance institutes like Vancity, and the municipal government have all been wrestling – collectively and individually – with the challenge of affordable housing for years. The actors in this case study are looking at the big picture of affordable housing in the region, and thinking and acting strategically both individually and in relationship with each other. In the years prior to the issuance of the RFEOI, each had been putting in place the structures that would enable them to quickly come together when the right opportunity emerged. As well, the overall initiative can be seen as the emergence of a strategic *social-public* partnership, a collaboration between the municipality and social actors for the delivery of affordable housing.

7. CHALLENGES AND TENSIONS

As with any project, there have been challenges and tensions in implementing the project to date. These are highlighted in the section below.

Decision-making in complex partnerships

The decision-making arrangements involved in the Land Trust have led to some challenges in the partnership. CHF BC has been the lead in negotiations with the City, with decision-making effectively delegated to them. The non-profits have had to get used to an arrangement where they may have input into decisions, but don't have the autonomy they would have in developing their own property. "We're passive partners" says Tikva's Housing Development Director. "Decisions are made, we say yes or no" (personal communication, Feb. 24 2015). The project centralized control even more with the shift from the initial concept of a 'master' land-lease and sub-leases with the non-profit partners, to a single-lease model. Tikva acknowledges that the single-lease model is an advantage for the organization in that the project risks are primarily held by the Land Trust. At the same time Tikva loses the opportunity to grow their portfolio, and loses some degree of control over the units.

Sanford's ED speaks to the balancing act between practical considerations and the desire for more involvement: "I think at one point…there was some desire to be more involved in that process but I'm not sure how that would have been workable…there was a lot of trust given to those key players to negotiate the best arrangement possible" (personal communication, March 10 2015). For Sanford, this trust was enabled by the experience of the project leads, and grew over time as it was evident that the project was moving along.

The need to consider new partnership models for housing delivery has increasingly been on the table in the non-profit and co-op housing sectors. However, non-profits and co-ops considering shifts away from traditional models have expressed concerns about the ability to retain autonomy, and get value for equity that is being brought into partnerships. Some of these concerns are evident in this case study, and are still being worked through in the Portfolio Administration Agreement that delineates portfolio vs. partner responsibilities. Generally, discussions have been characterized as 'constructive'. CHF BC's Executive Director is clear on the opportunities he believes the model presents for non-profits with respect to governance: "I don't think non-profits are giving up anything [in this model]. I think they're pooling their resources…for non-profits that are interested, this model can offer opportunities for autonomy and something in return for their equity'. Sanford's ED echoes this sentiment, calling the Land Trust model 'appealing' because of its clarity around roles and autonomy.

Risk, innovation and delay

The innovative features in the Land Trust have been simultaneously a strength and a weakness. The innovation was attractive to many of the organizations involved; they were interested in being involved in a model that had the potential to crack the 'affordability without subsidy' dilemma. Yet the innovation also complicated an already challenging negotiation process. Aligning expectations between the City and the Land Trust and resolving the contractual roles and responsibilities was time-consuming, frustrating, and led to 'brutal' transaction times. Breaking new ground almost always takes longer; the City wanted to ensure that it addressed the risks and legal requirements, and could be very

confident that the project was going to yield the anticipated affordability in return for the use of the City's land. This was compounded by the arrival of a new Director of Housing who put a halt on the project in order to 'unpack the assumptions' of the model mid-way through negotiations. As well, the project is still in early days; risks that may be present in the innovative features may reveal themselves over time. Partners will need to address any potential weaknesses as they emerge.

Aligning internal interests at the City

Aligning internal interests within the City was also a challenge. At the City, the Housing Department was leading the negotiations with the Land Trust but had the challenge of bringing other City departments (real estate, planning, finance, development services, etc.) with different expectations and interests into the process. The Housing Department needed to be an advocate for the project, and look at how the project could satisfy broad policy objectives and expectations with regards to affordability. But at the same time the City acts as a regulator with interests in, for example, urban design requirements that impact affordability. "Affordable housing is just as complex and risky as a regular residential development. But it has all these additional layers – legal layers, financial, real estate, planning, housing. All of those things get put on top. Trying to reconcile interests and satisfy parties was challenging" (City of Vancouver, personal communication, Feb. 16 2015).

Affordability

While the project is clearly providing units at lower than market rents, there are challenges in the level of affordability that can be achieved. Despite the significant innovations in financing alongside the land investment from the City, the case study illustrates how difficult it is to achieve affordable housing for the lowest-income cohorts without senior government funding. However, the model is flexible; senior government subsidies could be layered onto the model in order to deepen affordability.

As well, some interesting tensions regarding choices around levels of affordability have emerged in the project – and will likely continue to do so. There was much discussion at the City regarding the depth of affordability, and whether those levels were appropriate given the City's policy goals. For example, the choice was made to target the East Kent units at 90% of market rather than full market with a greater subsidy offered to the Kingsway and SE Marine units. As well, the City's decision to take a portion of the operating surplus to use toward developing new affordable rental housing will decrease the overall ability of the Land Trust to deepen affordability. The same choice will face the Land Trust over time as it decides how it will use operating surpluses. With limited resources, there will be tough choices to make in deepening affordability of existing units or building new units.

There is little equity within the non-profit sector to bring to the table for similar projects. Although Tikva and Sanford are acknowledged as strong partners, the choice of partners was limited to those who are able to bring equity to the table. This weak capacity was underscored by the critical importance of Vancity's $2M pre-development contribution – a small amount in a project that is valued over $100M, but one without which the project

could have ground to a halt. However, the Province's asset transfer program may change the landscape by offering non-profit organizations the opportunity to purchase the land on which they are operating social housing [11].

Managing development: roles, risks and rewards

Tension also emerged regarding agreement on the role of the development consultants in the project. The development consultants were cut back to a lesser role and the role split out amongst different people. There were many different perspectives on this. Vancity was looking to support the development capacity of the lead non-profit to take on this role in the long-term, and saw the affordability benefits of a non-profit developer managing their own equity. The City was concerned about the rate of the soft costs in the pro forma. The non-profits saw the need for strong leadership from a development manager to keep the project moving forward, and were concerned about the significant delays with no single dedicated lead. The tension has been resolved to some extent as Terra, the development consultant, has again taken on a more central role and is keeping the project moving forward through the City's development application process.

As the project lead, managing development also posed challenges and risks for CHF BC. The Land Trust project stretched the internal capacity and resources of CHF BC to the limit. This was manageable in the short-term, but not in the long-term. In thinking about developing for themselves beyond this project, CHF BC recognizes that they will have to generate the internal capacity to deal with expansion, including hiring new staff with unique skill sets and developing a business plan with an income stream that doesn't rely on accessing pre-development funds from organizations like Vancity. The project was also a reality check regarding the risks of development: "it was a real wake-up call, once we ticked over the first million….In fact, we'll have spent $4m before we put a shovel in the ground. This was kind of a reality check for me, this is why development is so risky' (CHF BC Executive Director, personal communication, Feb. 5 2015).

Yet the project has also clearly been an opportunity to *build* capacity for the partners involved in managing their own development, particularly CHF BC as the lead. New Market, for example, sees the involvement of CHF BC through their funds as an opportunity to "build their financial investment capacity to be able to partner with investment capital" (New Market Funds, personal communication, March 24 2015). The act of taking on that role, alongside able partners like Vancity, Terra and New Market, has resulted in some clear

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[11] The Province owns approximately 350 parcels of land throughout British Columbia that are currently leased long-term to non-profit housing providers who own and operate social housing buildings on these properties. The Province is giving non-profit providers the option to buy the land at fair market value over three years, from 2015 – 2018, and has agreed to subsidize the loans the non-profits will have to take on to purchase the lands, for the duration of the amortization period (BC Housing 2014). Owning the land will give non-profit agencies the opportunity to borrow money for upgrades or redevelopment, and to plan for the long-term; however, it will also result in new financial responsibilities for the non-profit housing sector.

lessons learned regarding what it takes to manage development, and what organizational changes will need to be made to develop that capacity over the long-term.

Additional challenges for non-profits

All of the non-profits have been responding to additional challenges triggered by their involvement in the project. For CHF BC, the time investment in this project has meant a limited ability to respond to new opportunities coming their way. Sanford and Tikva have had to look at potential impacts to their charitable status from moving into a mixed-income model. They're exploring with their legal counsel whether they will have to establish a separate society for the project – and while it's likely not the case, it's one more factor to juggle. Tikva spoke to the challenge for non-profits of managing different agreements for all their various projects, and the different standards that might apply to tenants in one residence vs. another. Again, this is simply one more factor that non-profits providing non-market housing have to juggle.

8. LESSONS LEARNED

The project is still at early stages in implementation; however, a number of initial lessons learned were identified during interviews.

- Plan for additional time. And then more. All those interviewed spoke to the time required to break new ground, and the need to anticipate delays.
- In developing affordable housing, particularly when doing innovative approaches, it will be impossible to foresee all obstacles and challenges. This is where resilience and determination are critical to keep the project moving through those obstacles.
- A lesson learned for the City was regarding its role as an internal advocate for the project, and the need to do a 'better job' of this in the future to help similar projects move through a complex bureaucracy.
- In assembling a non-profit development team, take time to choose the 'right' partners. Consider the reputation and track records of organizations, and take into account the types of capacity that will be required – financial, development and management capacity. Mission-alignment between organizations is also essential. As in any complex partnership, project leads will need to have core skills and to dedicate time to manage relationships successfully.
- A combination of various grants and equity are essential to make an affordable rental housing project happen. Strong partnerships with social finance institutions are essential.
- There are considerable challenges and risks in managing development. Internal capacity and resources will need to be built, and risks mitigated in order for non-profits and co-ops to take on this role over the long-term. In complex projects, strong leadership and dedicated leads in the management of development are essential; this is not a role that can be done off the side of someone's desk.

9. FUTURE OPPORTUNITIES: REPLICATION AND SCALING UP

All of the partners involved in the Land Trust project see potential in replicating the model, and are keen to do so themselves – although they cautioned that the model won't work for everyone. CHF BC plans to do more projects based on the model in the future. Some co-op organizations have already indicated a willingness to participate in a portfolio under a land trust or similar umbrella organization, which will unlock the redevelopment potential of those properties. The whole portfolio can be leveraged to assemble equity and financing across the portfolio to use for redevelopment, refinancing or renovation. The same is true for those in the non-profit sector like churches, legions, community living organizations or municipalities that can organize individual buildings into a portfolio of properties. In Vancouver, the newly created Vancouver Affordable Housing Agency is looking at the potential scalability of the Land Trust model to leverage the City of Vancouver's considerable land assets to meet the City's affordable housing goals. New Market Funds is interested in the potential of the model for other organizations, and sees access to socially-motivated investment equity as a key opportunity to build affordable housing at a scale that otherwise wouldn't be possible. However, models like the Land Trust are implemented in a context that can either support or impede scalability; key contextual elements were identified during interviews and are explored in this section.

The potential for replicating the Land Trust model is unfolding in the context of the end of Canada Mortgage and Housing Corporation's operating agreements, and their related mortgages. Approximately 175,000 units of social housing across Canada will come to the end of their operating agreements between 2010 – 2020 (Pomeroy 2011). Many non-profit and co-op buildings are aging and in need of upgrading. However, much of the land that non-profit and co-op buildings are sitting on is massively under-densified, and a considerable amount of this land is owned by non-profits or co-ops (or has the potential to be, through BC Housing's sale of provincially-owned properties to non-profit housing providers).

Particularly in cities with high land values and rapid growth, this low-density land in the hands of non-profits represents a huge asset. Some organizations can and will go the route of partnering with private developers to leverage their land value and redevelop. Others may explore the opportunity of using models like the Land Trust model to leverage this land asset, increase density on their sites, and capture the upside of the densification to benefit the community as opposed to private developers. The ability of non-profits to capture some of the profits of densification can also help solve the missing piece of pre-development capital. A non-profit acting as a developer can capture profits from one project that can then provide the pre-development capital to move the next project from concept to feasibility.

The innovative features of the Land Trust model offer a potential model for non-profits to leverage and maximize land value. However, this will require the ability of the non-profit and co-op sectors to develop the capacity to act as their own developers – not a small task.

This is a piece that has been an obvious challenge in the Land Trust project, emerging in tensions around the role of the development consultant and CHF BC's acknowledgements of the changes required and inherent risks in driving their own development. Not all non-profits will have the capacity to do this successfully, or be willing to take on the risks. As well, this will require a *cultural* shift in how non-profit housing organizations see themselves – shifting from 'non-profits as recipients of grants', to 'non-profits as equity stakeholders', empowered to act as agents of business coming to the table with equity to invest, and expecting a return on that equity that be used to further the mission of the organization. The potential opportunity is for even small non-profits to take some control over their own destiny, even to the extent of financing their own projects.

The development of affordable housing will require partnerships beyond the non-profit and co-op sectors. There is increasing recognition and strong leadership in many municipalities regarding the key role that cities can take in supporting the creation of affordable housing. In Vancouver, the Vancouver Affordable Housing Agency is in early days but has a mandate to leverage city-owned land for affordable housing. As evidenced in this case study, supporting models like the Land Trust will require internal work within municipalities to increase comfort and familiarity with new models for affordable housing across relevant departments. Strategic thinking and action on how to make city processes easier and less time-consuming will be an important piece of strong leadership by municipalities. City staff identifying as advocates for affordable housing projects, facilitating the movement of the project through city processes could potentially reduce obstacles.

The commitment and leadership of the social finance sector acting in partnership with housing organizations will also be essential. Across Canada, credit unions held $951.1 million (or 21%) of the total $4.45 billion in impact investment assets in Canada in 2010 (http://socialfinance.ca/2012/06/14/why-does-social-finance-matter-to-credit-unions/). While Vancity has been highlighted in this particular case study, credit unions are already playing an active role in social finance; there is a role for other credit unions in BC and beyond to support affordable housing development. This will be key in terms of scaling up models like the Land Trust outside of major urban centres like Vancouver. Looking beyond social finance institutions, New Market's CEO also hopes that creating a track record in this type of investing will, over time, reduce the perceived risks, helping to attract additional private capital to affordable housing projects.

Those considering replicating or adapting the Land Trust model will also have to consider other challenges that emerged in the model. The tension around decision-making, between non-profit operators or individual co-ops and a portfolio lead poses food for thought, as does the reality of time and risks in breaking new ground. Finally, the Land Trust is still in early days; the model is *promising*, but not yet *proven*.

Any new model for affordable housing will face new challenges to overcome. Those involved in affordable housing provision are already acting with creativity and determination in a landscape of challenge, risk – and possibility. The range of affordability achieved by the Land Trust without ongoing operating subsidies, and the scale of units

produced across the four sites is a promising model that is already inciting curiosity by municipalities, non-profits housing providers and the co-op sector. CHF BC's Executive Director poses some final thoughts and ambitions on what this might do for the non-profit and co-op housing sectors over time:

> "One thing that I really want to change over time…I want the Land Trust, maybe five deals down the road, to be in a position to be a more equal partner in the initial negotiations. To have the leverage to walk away from a deal that didn't meet all the conditions that we had set at the beginning...Right now the balance of power is quite unequal… It's just a fact of life. You're not an equal partner if you don't have any money. That's where we want to be: we want to be a partner in developing affordable housing. This is the only realistic mechanism or platform that has come along that I can remember that has a chance of making that happen. There will be sometimes when government hates that. But in the long haul, it's better for them and it's better for the community that there be some community wealth and some community assets directed toward this kind of partnership. It'll be good for everybody." (CHF BC, personal communication, Feb. 5 2015)

APPENDIX A: PROPOSED RENTS

COMMUNITY VANCOUVER LAND TRUST FOUNDATION
PROPOSED RENTS

1700 Kingsway

	Number of Units	3rd Party Market Rent	**Proposed Affordable Rent**	% of Market	Income Required @30%
One Bedroom	48	$1208-$1313	**$897-972**	74%	$34,747-$38,872
Two Bedroom					
Three Bedroom					

2780-2800 SE Marine Drive (Townhouses)

	Number of Units	3rd Party Market Rent	**Proposed Affordable Rent**	% of Market	Income Required @30%
One Bedroom					
Two Bedroom					
Three Bedroom	32	$2,472	**$1,236**	50%	$49,440

Family Tower: 2780 SE Marine Drive

	Number of Units	3rd Party Market Rent	**Proposed Affordable Rent**	% of Market	Income Required @30%
One Bedroom	20	$1,313	**$932**	71%	$37,296
Two Bedroom	50	$1826-$1906	**$1296-$1353**	71%	$51,849-$54,116
Three Bedroom	10	$2,240	**$1,591**	71%	$63,623

Seniors Tower: 2800 SE Marine Drive

	Number of Units	3rd Party Market Rent	**Proposed Affordable Rent**	% of Market	Income Required @30%
One Bedroom	108	1288-$1391	**$914-$987**	71%	$36,565-39,490
Two Bedroom					
Three Bedroom					

2910 E Kent Avenue North

	Number of Units	3rd Party Market Rent	**Proposed Affordable Rent**	% of Market	Income Required @30%
One Bedroom					
Two Bedroom	35	$2325-$2360	**$2093-$2124**	90%	$83,700-$84,942
Three Bedroom	55	$2,460-$2,560	**$2,214-$2,304**	90%	$88,560-$92,160

Source: Kingmarkent Project Funding-Delivery Agreement, Exhibit "E" Effective Date Pro Forma

APPENDIX B: REFERENCES

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APPENDIX C: LIST OF INTERVIEWS

Organization	Name and Position	Date
Co-op Housing Federation of British Columbia (CHF BC)	Thom Armstrong, Executive Director Darren Kitchen Government Relations Director	Feb. 5, 2015
Vancity Credit Union (Vancity)	Kira Gerwing Manager, Community Investment	Feb. 10, 2015
City of Vancouver	Genevieve Bucher Senior Planner, Social Infrastructure	Feb. 16, 2015
Tikva Housing Society (Tikva)	Susana Cogan Housing Development Director	Feb. 24, 2015
Sanford Housing Society (Sanford)	Bonnie Rice Executive Director	March 10, 2015
New Market Funds (NMF)	Garth Davis Chief Executive Officer	March 24, 2015
Canadian Centre for Community Renewal (CCCR)	Michael Lewis Managing Director	March 30, 2015