

Surrey Affordable Housing Strategy

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Contents

EXECUTIVE SUMMARY	1
1.0 THE SURREY CONTEXT	2
1.1 POPULATION GROWTH.....	2
1.2 HOUSEHOLD GROWTH	2
1.3 CURRENT HOUSING PRODUCTION BY TYPE AND TENURE	3
1.4 THE INVENTORY OF PURPOSE-BUILT RENTAL HOUSING	3
1.5 THE INVENTORY OF NON-MARKET HOUSING	4
1.6 HOUSEHOLDS RECEIVING RENT ASSISTANCE IN THE PRIVATE MARKET	5
1.7 ADDRESSING HOMELESSNESS	5
2.0 ADDRESSING AFFORDABILITY PRESSURES	6
2.1 THE COST OF OWNING IN SURREY	6
2.2 THE COST OF RENTING IN SURREY	7
2.3 THE AFFORDABILITY OF THE HOUSING CHOICES AVAILABLE IN SURREY.....	8
2.4 LOOKING AT THE CONTINUUM OF HOUSING CHOICES IN SURREY.....	9
3.0 CURRENT CHALLENGES AND PRESSURES.....	11
3.1 FEEDBACK TO THE CITY'S <i>AFFORDABLE HOUSING SURVEY</i>	11
3.2 THE ROLE OF THE CITY.....	11
3.1 INCREASING ACCESS TO OWNERSHIP OPPORTUNITIES.....	11
4.2 ON-GOING TIGHT RENTAL MARKET CONDITIONS	12
3.3 A CRITICAL SHORTAGE OF PURPOSE- BUILT RENTAL UNITS	13
3.4 THE CURRENT INVESTMENT CLIMATE FOR RENTAL HOUSING	13
3.5 INCREASING THE SUPPLY OF PURPOSE-BUILT RENTAL HOUSING.....	15
3.6 MEETING THE NEEDS OF LOW INCOME RENTERS	15
3.7 ADDRESSING THE NEEDS OF LOW INCOME RENTERS.....	17
3.8 PREVENTING THE LOSS OF THE EXISTING PURPOSE-BUILT RENTAL HOUSING STOCK	18
3.9 THE POTENTIAL DISPLACEMENT OF RENTER HOUSEHOLDS	18
3.10 REASONS FOR MOVING	19
3.11 EFFECTIVELY RESPONDING TO LOCAL HOUSING NEEDS	19
3.12 PRIORITY GROUPS.....	20
3.13 KEY ISSUES AND CHALLENGES	20
4.0 CONCLUSIONS AND RECOMMENDATIONS	21
EXISTING RENTAL HOUSING STOCK	23
NEW AFFORDABLE RENTAL HOUSING SUPPLY	24
ADDRESSING THE NEEDS OF LOW INCOME RENTERS	26
5.0 POLICY DIRECTIONS.....	29
5.1 POLICY DIRECTION #1 - EXISTING RENTAL HOUSING	29
5.2 POLICY DIRECTION #2 – NEW RENTAL HOUSING SUPPLY	30
5.3 POLICY DIRECTION #3 – ADDRESSING THE NEEDS OF LOW INCOME RENTERS	32
APPENDIX A.....	34
FIGURE A.1 THE CONTINUUM OF HOUSING CHOICES IN SURREY	35

EXECUTIVE SUMMARY

Metro Vancouver is recognized as a high-cost housing market with concerns about housing affordability being evident across the Metro Vancouver region. The City of Surrey has initiated a number of housing studies to gain a better understanding of the housing needs across the community and has devoted significant resources to respond in targeted ways to the many challenges and pressures identified. The proposed recommendations and policy directions set out in this report focus on ways to increase the range of housing choices available to Surrey residents including both ownership and rental housing as well as market and non-market housing choices. This report also focusses on ways to address the affordability challenges of low income renters.

In preparing this report, it is necessary to recognize that:

- (a) The current housing supply system within the Metro Vancouver region is unable to respond effectively to existing and emerging housing demand (rental and ownership);
- (b) There are high and rising housing costs that have made the region unaffordable for many low and middle income households;
- (c) There are on-going tight rental market conditions that have resulted in a significant number of renter households falling into core housing need¹;
- (d) There is increasing polarization in the incomes and assets of owners and renters with fewer renter households being able to make the transition into ownership; and,
- (e) The current municipal “toolbox” does not have the leverage or resources at the scale needed to close the economic viability gap for new rental housing construction and to address on-going affordability challenges.

In looking at the current level of production and in setting the context for this report, it is important to recognize that, in the absence of new rental housing supply, both the City of Surrey and the Metro Vancouver region as a whole are likely to continue to experience on-going housing affordability pressures. Furthermore, it is necessary to recognize that local governments alone cannot address the full range of housing needs they face. As a result, an effective response requires significant financial investments along with partnerships with the private sector, the non-profit housing sector and all levels of government. The report also takes into consideration the feedback received from across Surrey residents who participated in the *City’s Affordable Housing Survey* that was initiated earlier this year and that looked at the types of challenges that families and individuals face in finding and keeping housing that they can afford.

To a large extent, the City of Surrey has demonstrated a strong commitment to finding ways to work to address the housing need and affordability challenges of families and individuals living in Surrey. This has included direct investment in increasing the supply of housing that is affordable to households at the lower end of the housing and income continuum as well as strategies to promote and support a diversity of housing types from ownership to non-market housing solutions. The City has also been effective in its use of its planning and regulatory powers to encourage and enable new supply.

However, as with other parts of the Metro Vancouver region, it is clear that the on-going high housing demand and the competition for available units has placed significant pressure on Surrey’s housing supply system. This report identifies opportunities to build on the City’s current efforts and includes a series of recommendations designed to improve the quality and prevent the loss of the existing rental housing stock as well as strategies to encourage and enable new supply. This report also looks at the types of strategies and actions needed to respond to the specific needs of low income renter households and the challenges and pressures that they face in finding and keeping housing that they can afford.

¹ A household is considered to be in core housing need if its housing falls below at least one of the standards of adequacy (in good repair), suitability (appropriate in size) and affordability (does not cost more than 30% of a household’s before tax income).

1.0 THE SURREY CONTEXT

This report relies on the use of multiple sources of data to support the recommendations and proposed policy directions. This includes the 2011 and 2016 Census (where available) as well as local housing market data (MLS and CMHC). This report also relies on the use of administrative data collected by the City as well as feedback received through a series of focus group sessions, and one-on-one interviews with housing and service providers, developers, lenders, landlords and others. The strategies and recommendations set out in this report also respond to feedback received through a survey of renters and owners that was initiated by the City through the CitySpeaks program and that include feedback from more than 840 participants. Combined, these different sources of information have helped to build a more complete picture of the housing needs across Surrey residents and have helped to provide the research and evidence base used to inform the policy directions and recommendations set out in this report.

1.1 POPULATION GROWTH

The City of Surrey has continued to experience significant population and household growth. Between 2011 and 2016, the population in Surrey increased from 468,251 to 517,887. This represents an increase of 49,636 individuals and represents a rate of growth of 10.6%. As shown in Table 1.1 the population in Metro Vancouver also increased during this period from 2,313,328 individuals in 2011 to 2,463,431 individuals in 2016. This represents an increase of 150,103 individuals and a rate of growth of 6.5%. There is no doubt that the population growth across the region has resulted in increased housing demand pressures with the findings in Table 1.1 showing that the total population growth in Surrey accounted for almost one-third of the total population growth region-wide between 2011 and 2016.

Table 1.1: Population Growth in Metro Vancouver and the City of Surrey (2011 to 2016)

	Metro Vancouver		City of Surrey	
	#	%	#	%
2016 population	2,463,431	-	517,887	-
2011 population	2,313,328	-	468,251	-
Difference in population 2011-2016	150,103	6.5%	49,636	10.6%

Source: 2011 and 2016 Census

1.2 HOUSEHOLD GROWTH

The total number of households in Surrey also increased between 2011 and 2016. As shown in Table 1.2, the total number of households in Surrey increased from 152,850 in 2011 to 169,964 in 2016. This represents an increase of 17,114 households (11.1%) between 2011 and 2016 accounting for approximately 25% of the total household growth region-wide over this period.

Table 1.2: Household Growth in Metro Vancouver and the City of Surrey (2011 to 2016)

	Metro Vancouver		City of Surrey	
	#	%	#	%
2016 households	960,984	-	169,964	-
2011 households	891,310	-	152,850	-
Difference in households 2011-2016	69,674	7.8%	17,114	11.1%

Source: 2011 and 2016 Census

1.3 CURRENT HOUSING PRODUCTION BY TYPE AND TENURE

As housing demand pressures continue to increase, local governments must find ways to add new supply. The City of Surrey has demonstrated reasonable success in enabling new supply through zoned capacity and through the provision of basic infrastructure. As well, the City has been successful in adding a mix of different types of housing at key points along the housing continuum (ownership and rental). Table 1.3 shows that between 2011 and 2016 there were 20,865 new units added through the City's development approvals process. This includes a mix of ownership and rental units including 3,300 accessory suites (rented coach house units as well as garden and basement suites). These units represent an important source of new rental housing supply and play an important role in helping to meet existing and emerging rental housing demand.

Table 1.3: Mix of Housing Types Added 2011 to 2016 through the City's Development Approvals Process

Year	Single detached	Semi-detached, townhouse, row house	Accessory units (coach house units as well as garden and basement suites)	Apartment (low or high rise)
2011	720	1,105	718	763
2012	592	1,496	579	1,100
2013	265	1,391	350	1,674
2014	427	930	513	725
2015	503	1,337	516	1,376
2016	469	1,625	626	1,065
2011-2016	2,976	7,884	3,302	6,703

Source: City of Surrey Planning and Development, April 2017

1.4 THE INVENTORY OF PURPOSE-BUILT RENTAL HOUSING

In addition to the rented garden and basement suites, the inventory of purpose-built rental housing stock plays a critical role in meeting existing and emerging rental housing demand. As shown in Table 1.4, there are approximately 5,581 purpose-built rental housing units in Surrey representing approximately 14% of the total number of renter households reported in the 2011 Census. Table 1.5, in turns, shows the number of purpose-built rental housing units that have reached completion in recent years. As shown in Table 1.5, there were 574 new purpose-built rental housing units in Surrey that reached completion in 2016 (an increase of 183 units over the number of new purpose-built rental housing units completed in 2015). As well, there were 198 new units that reached completion in the first six months of 2017 (January to June) and an additional 179 new units that have been started during this same time period.

Table 1.4: The Inventory of Purpose-Built Rental Housing Units

	Metro Vancouver		City of Surrey	
	No. of Units	% of Stock	No of Units	% of Stock
Bachelor	11,981	11.11%	133	2.38%
1-bedroom	67,302	62.39%	2,593	46.46%
2-bedroom	26,349	24.43%	2,470	44.26%
3+ bedroom	2,235	2.07%	385	6.90%
Average	107,867	100.00%	5,581	100.00%

Source: CMHC Rental Market Report, December 2016

Table 1.5: Rental Housing Starts and Completions 2015, 2016 and 2017 YTD (January to June 2017)

	Completions			Starts
	2015	2016	2017 (YTD)	2017 (YTD)
Surrey South	49	141	32	27
Surrey Cloverdale	37	78	29	21
Surrey North	226	238	91	80
Surrey-Guildford	9	9	6	4
Surrey-Whalley	70	108	40	47
Total	391	574	198	179

Source: CMHC Housing Now Tables – Vancouver and Abbotsford CMAs July 2017

1.5 THE INVENTORY OF NON-MARKET HOUSING

In addition to the inventory of purpose-built rental housing stock as well as the units available through the secondary rental market (rented single detached, condo apartment units and rented garden and basement suites), the inventory of market housing represents an important source of supply for meeting on-going housing needs especially for low income renters. As shown in Table 1.6 the inventory of subsidized housing units in Surrey includes 872 emergency shelter spaces and transitional housing units to meet the needs of those who are homeless or at risk of homelessness, 1,071 units of assisted or supported housing units for seniors and people with disabilities who require both housing and support; 2,571 traditional social housing units in Surrey as well as 3,188 households who are living in housing in the private market and who are receiving assistance through the provinces' SAFER¹ and RAP² programs. In addition, Surrey received approval from BC Housing for an additional seven (7) developments (326 units) to be delivered in partnerships with a number of housing and service providers from across Surrey³. Once completed, these units will add to the current inventory of subsidized housing available to meet the on-going housing needs of low income renter households including families and individuals living in Surrey who are unable to find suitable and appropriate housing in the private rental market with the resources that they have available.

Table 1.6: Inventory of Subsidized Housing Units (March 31, 2017)

Community	Emergency Shelter and Housing for the Homeless (including Rent-Sups)	Transitional Supported and Assisted Living	Independent Social Housing	Rent Assistance in the Private Market	Home Ownership	Total
Anmore	-	-	-	2	-	2
Bowen Island	-	-	-	20	-	20
Burnaby	131	1,020	3,747	1,655	6	6,559
Coquitlam	91	334	862	972	4	2,263
Delta	2	161	443	469	-	1,075
Langley City / District	158	452	931	886	10	2,437
Lions Bay	-	-	-	1	-	1
Maple Ridge	288	205	293	549	6	1,341
New Westminster	292	247	910	705	6	2,160
North Vancouver City / District	120	450	1,291	1,121	1	2,983
Pitt Meadows	-	-	41	77	1	119
Port Coquitlam	43	163	536	335	3	1,080
Port Moody	23	52	121	99	-	295
Richmond	32	783	2,020	1,332	4	4,171
Surrey	872	1,071	2,571	3,188	28	7,730
Vancouver	6,791	4,321	11,811	4,367	11	27,301
West Vancouver	2	89	404	407	-	902
White Rock	2	213	79	338	2	634
Regional Total	8,847	9,561	26,060	16,528	82	61,078
Surrey as a % of the Regional Total	10%	11%	10%	19%	34%	13%

Prepared by: BC Housing's Research and Corporate Planning Department (April 2017)

Source: BC housing, Unit Count Report, March 31, 2017

Notes:

1. BC Housing only tracks units where we have a financial relationship. There may be other subsidized housing units in the community.
2. Service Allocation categories align with those represented in the Housing Continuum included in BC Housing's Service Plan
3. There are also 15 developments approximately 876 units of Federally-funded co-op housing in Surrey. These units are not reflected in the total reported in Table 1.6 as they do not receive funding through BC Housing. They do however help to add capacity at the community level and play an important role in responding to on-going housing needs across the community. They also represent an important source

¹ SAFER -- Shelter Aid for Elderly Renters provides rent assistance to low income seniors living in the private rental market.

² RAP -- Rental Assistance for Families provides rent assistance to low income families living in the private rental market.

³ Partnerships include the Elizabeth Fry Society, the Community Land Trust Foundation, the YWCA, Keginow Native Housing Society, the Royal Canadian Legion, and Kingston Gardens.

1.6 HOUSEHOLDS RECEIVING RENT ASSISTANCE IN THE PRIVATE MARKET

In looking at the inventory of subsidized housing, it is worth noting that it includes supply-side programs such as the inventory of social housing units that have been created under a mix of programs. As well, it includes demand-side programs such as SAFER⁴ and RAP⁵. Of the 7,730 units reported by BC Housing (March 2017), 3,188 units were in the form of rent assistance to low income families and seniors living in housing in the private market. This assistance helps to cover the difference between the cost of renting and the amount that a household can afford to pay based on their income up to a maximum income and rent ceilings set by the program. Based on information provided by BC Housing (March 31, 2017) there were approximately 1,379 families in Surrey who were receiving assistance through the RAP and 1,679 seniors in Surrey who were receiving assistance through SAFER. Combined this represents approximately 7% of all renter households in Surrey and approximately 41% of the current inventory of subsidized housing units in Surrey⁶.

1.7 ADDRESSING HOMELESSNESS

Homelessness also continues to be a significant challenge both in Surrey and across the Metro Vancouver region as a whole. Based on the most recent homeless count (March 2017) there were 602 individuals in Surrey who were staying in an emergency shelter or living on the streets. This represents a 50% increase over the number of individuals recorded in the previous count (2014). The homeless population is further divided into the sheltered⁷ and unsheltered⁸ homeless. Based on the results of the 2017 homeless count there were 399 sheltered homeless and 203 unsheltered homeless⁹. Even with the additional shelter spaces that have been opened in recent years, it is clear that there are on-going housing and shelter needs that must be met including the need for additional supportive housing units.

Note: .

⁴ SAFER is the Shelter Aid for Elderly Renters program. It provides rent assistance to low income seniors living in the private rental market. Under the SAFER program, the rent ceiling for a bachelor unit is \$765 per month while the rent ceiling for a one-bedroom unit is \$825 per month.

⁵ RAP is Rental Assistance for Families. Under the RAP Program, the rent ceiling is set at \$1,055 for a two-bedroom unit and \$1,190 for a three-bedroom unit.

⁶ This does not include the homeless rent supplement units that are reported as part of the housing for the homeless in Column 2 of Table 1.5.

⁷ The sheltered homeless are people who are staying in emergency shelters for the homeless, transition houses for women fleeing abuse and safe houses for youth. The sheltered category also includes people with no fixed address who are in health, correction and detox facilities on the night of the count. Individuals staying in one of the extreme weather response shelters on the night of the count were also included as part of the sheltered homeless total (2017 Homeless Count in Metro Vancouver: Preliminary Data Report. 2017:10)

⁸ The unsheltered homeless are people living 'outside' including in alleys, doorways, parkades, parks, and vehicles. This category also includes people who are couch surfing and who are accessing homeless services on the day of the count. (2017 Homeless Count in Metro Vancouver: Preliminary Data Report. 2017:9)

⁹ This includes 286 individuals who were staying in emergency shelters on the night of the count, 44 individuals who were staying in extreme weather shelters and 69 individuals who were identified as having no fixed address and who were part of the institutional count (jails, detox centres, hospitals and short-term medical facilities (2017 Homeless Count in Metro Vancouver: Preliminary Data Report. 2017:6, Table 1).

2.0 ADDRESSING AFFORDABILITY PRESSURES

Across the Metro Vancouver region, housing affordability is a common topic of conversation and has become a significant area of focus for local governments. Housing affordability can be viewed as both an income problem and a supply problem. It is an income problem in the sense that a large number of households do not have the income or resources that they need to find suitable and appropriate housing in the private market without spending a significant proportion of their income on their housing costs. It is also a supply problem in the sense that there is a shortage of units that are affordable to households at the lower end of the income distribution. In looking at the question of housing affordability with the Metro Vancouver context, it is clear that high and rising housing costs have made the region unaffordable to many low and middle income households. As well, the research shows that the on-going tight rental market conditions and the critical shortage of rental housing has made it extremely difficult for some households in Surrey to find and keep housing that they can afford. As well, there is increasing polarization in the incomes and assets of owners and renters with more renter households being unable to make the transition from renting to owning. This section looks more closely at the overall affordability of the housing choices available to families and individuals living in Surrey as well as some of the specific challenges and pressures they face in finding suitable and appropriate housing that meets their needs and that they can afford.

2.1 THE COST OF OWNING IN SURREY

For many households, there is a strong desire for ownership and the financial stability and security of tenure that it provides. To a large extent, Surrey has been successful in generating a diverse range of ownership opportunities. Based on the 2011 Census approximately 73% of all households living in Surrey reported that they owned their home. This included 101,492 households (66.4%) who had a mortgage and 49,358 households (33.6%) who did not have a mortgage.¹⁰ Using current MLS market data (February 2017) this section looks at the types of ownership opportunities that are available in Surrey based on different housing types (single detached, townhouse and apartment condo units).

As shown in Table 2.1 the median price for a single detached home in Surrey was \$1,198,000 based on the MLS market data from February 2017). To purchase a home at this price a household would need an annual income of \$182,400 based on a 20% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage. At the same time, the median price for a townhouse unit in Surrey was \$608,900 based on the MLS market data from February 2017. To purchase a home at this price a household would need an annual income of \$99,960 based on a 20% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage. Similarly, the median price for a 2-bedroom condo apartment unit in Surrey was \$389,000 based on the MLS market data from February 2017). To purchase a home at this price, assuming a 10% down payment, a household would need an annual income of \$69,192. The price for an entry-level condo apartment unit¹¹ in Surrey was determined to be \$299,900 based on the MLS market data from February 2017. To purchase a home at this price, assuming a 10% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage a household would need an annual income of \$61,200.

Table 2.1: Housing Cost, Down Payment Requirements and Monthly Mortgage Payments

	Price	Percentile of MLS listings	Mortgage Amount	Down Payment	Monthly Mortgage Payments	Annual Qualifying Income
Condo apartment	\$299,900	20th %ile	\$269,900	\$30,000	\$1,264	\$61,200
Condo apartment	\$389,000	Median	\$311,200	\$77,800	\$1,439	\$69,192
Townhouse	\$454,000	20th %ile	\$363,200	\$90,800	\$1,680	\$75,276
Townhouse	\$608,900	Median	\$487,120	\$121,780	\$2,253	\$99,960
Detached House	\$824,900	20th %ile	\$659,920	\$164,980	\$3,052	\$131,700
Detached House	\$1,198,000	Median	\$958,400	\$239,600	\$4,433	\$182,400

Assumptions: Calculation using MLS market data (February 2017) and based on a 25 year amortization period, 2.9% five year closed mortgage rate, with heating, property tax and condo fees included using CMHC mortgage affordability calculator. Down payments for median condo apartment unit and the condo apartment unit at the 20th percentile are set at 10% down, all others at 20%.

¹⁰ Updated information from the 2016 Census is expected to be released in October 2017.

¹¹ The entry-level benchmark or threshold is determined by the price of a 2-bedroom condo apartment unit at the 20th percentile. In February 2017, the benchmark price was \$299,900.

2.2 THE COST OF RENTING IN SURREY

The cost of rental housing in Surrey is also increasing. As shown in Table 2.2, the average market rent in Surrey was \$940 per month (December 2016). This rent is affordable to a household with an annual income of \$37,600 based on the standard that to be affordable housing should not cost more than 30% of a household’s gross annual income. Table 2.2 also shows the average market rent for units of different sizes and types. As shown in Table 2.2, the average market rent for a bachelor unit in Surrey (December 2016) was \$728 per month. Based on this rent, a household would need an annual income of \$29,120 to be able to carry the cost of this housing without spending more than 30% of their income on their housing costs. Similarly, the average market rent for a 1-bedroom unit in Surrey was \$855 per month. To carry the cost of this housing, a household would need an annual income of \$34,200 – an income that is almost two times the annual income an individual would earn if they were earning minimum wage.

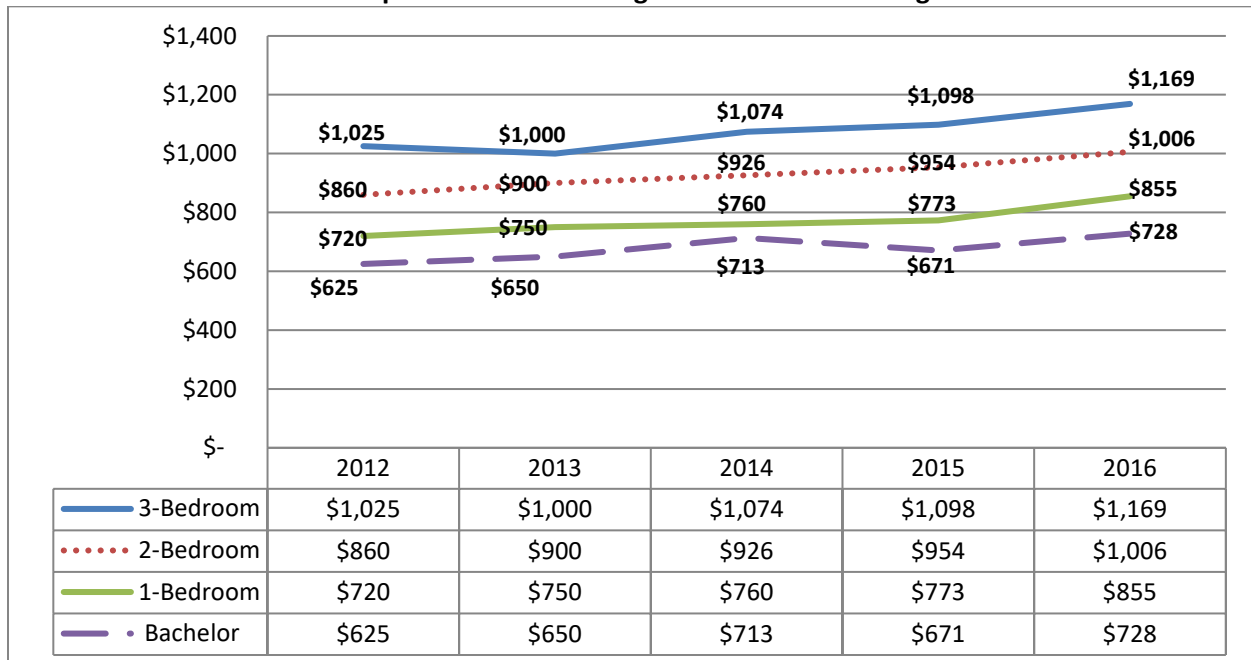
Table 2.2: Average Market Rents by Unit Type (Metro Vancouver and Surrey)

	Metro Vancouver		City of Surrey	
	Average Rent	Annual Income Required	Average Rent	Annual Income Required
Bachelor	\$1,013	\$40,520	\$728	\$29,120
1-bedroom	\$1,159	\$46,360	\$855	\$34,200
2-bedroom	\$1,450	\$58,000	\$1,006	\$40,240
3+ bedroom	\$1,631	\$65,240	\$1,169	\$46,760
Average	\$1,223	\$48,920	\$940	\$37,600

Source: CMHC Rental Market Report, December 2016

Graph 2.1 shows the increase in the average market rents in Surrey across the different unit sizes and types. As shown in Graph 2.1, the average market rent for a bachelor unit in Surrey increased from \$625 per month in 2012 to \$728 per month in 2016. This represents an increase of \$103 per month or 17% over a 5 year period. A similar picture emerges for the one-bedroom units which increased from \$720 per month in 2012 to \$855 per month in 2016 –an increase of \$135 per month or 19%. As housing costs increase faster than incomes it is likely that more households will experience housing stress with low income renter households being more likely to be disproportionately affected.

Graph 2.1: The Increasing Cost of Rental Housing



2.3 THE AFFORDABILITY OF THE HOUSING CHOICES AVAILABLE IN SURREY

This section looks at the housing choices that are available to families and individuals living in Surrey. Looking purely at household incomes, Table 2.3 shows that 90% of renter households could afford to average rent for a room in one of the City's recovery houses or other types of temporary or ad hoc arrangements. However, for many renter households this form of housing would not be adequate or suitable for 1 in 10 renter households this is all that they can afford. Moving along the continuum, 65% of renter households in Surrey have sufficient income to carry the cost of an average market rent (\$940 per month) without spending more than 30% of their income on their housing costs. Looking at the average housing costs across different unit sizes and types, the findings in Table 2.3 also show that a smaller proportion of renter households in Surrey would be able to afford the average rent for a 2-bedroom or 3-bedroom unit. As well the rent for single detached, semi-detached and row house units as well as rented condo apartment units are less affordable. The available data also shows that the current inventory of rented garden or basement suites is serving an important need in the community both in terms of adding supply and in terms of the overall affordability of this housing. Based on information available through the 2011 Census, the average market rent for a rented garden or basement suite or coach house unit was \$787 per month. This rent is affordable to approximately 77% of all renter households. At the boundary between renting and owning is the "entry-level ownership threshold". Across the Metro Vancouver region, this segment is primarily older condominiums and townhouse units. Measures to enable entry-level ownership can help to alleviate some of the pressures on the existing rental housing stock while at the same time providing for an expanded range of housing choices for families and individuals wishing to get into the ownership market. Based on MLS data from February 2017, 29% of renter households in Surrey could afford the monthly mortgage payments for an entry-level condo apartment unit. However, households have the down payment needed to purchase this housing, making access to even the most basic condo apartment unit a "stretch" for many renter households. Moving up the ownership continuum, fewer renter households would have the income needed to carry the cost of an entry-level townhouse or single-detached home, with only 19% of renter households able to afford a median townhouse unit while only 3% of renter households could afford a median priced single detached home.

Table 2.3: Affordability of the Housing Choices in Surrey

	Monthly Housing Cost	Monthly Income	Annual Income Required	No. of Renter Households With the Required Income	% of Renter Households With the Required Income
TEMPORARY/ AD HOC ARRANGEMENTS					
Rooming/Recovery House	\$375	\$1,250	\$15,000		90%
UNITS IN THE SECONDARY RENTAL MARKET					
Rented Condo Apartment	\$1,416	\$4,720	\$56,640	17,290	41%
Single Detached, Semi, Row	\$1,287	\$4,290	\$51,480	21,770	52%
Accessory Units (Garden & Basement Suites)	\$787	\$2,623	\$31,480	31,815	77%
PURPOSE-BUILT RENTAL HOUSING STOCK –BY AGE					
Purpose-Built Rental (pre- 1960)	\$896	\$2,987	\$35,840	26,780	65%
Purpose-Built Rental (1960-1974)	\$904	\$3,013	\$36,160	26,780	65%
Purpose-Built Rental (1975-1989)	\$985	\$3,283	\$39,400	21,770	52%
Purpose-Built Rental (1990-1999)	\$1,106	\$3,687	\$44,240	21,770	52%
PURPOSE-BUILT RENTAL HOUSING STOCK –BY SIZE					
Bachelor	\$728	\$2,987	\$35,840	26,780	65%
1-bedroom unit	\$855	\$3,013	\$36,160	26,780	65%
2-bedroom unit	\$1,006	\$3,283	\$39,400	21,770	52%
3+-bedroom unit	\$1,169	\$3,687	\$44,240	21,770	52%
OWNERSHIP STOCK –BY TYPE					
2-bedroom entry-level condo apartment unit	\$1,264	\$5,100	\$61,200	12,043	29%
2-bedroom condo apartment unit	\$1,680	\$6,273	\$75,27	8,040	19%
Median townhouse unit			\$99,960		
Median single detached home			\$182,400		

Source: Calculated by McClanaghan & Associates using market data available through Canada Mortgage and Housing Corporation, MLS market data as well as custom data from the 2011 Census.

2.4 LOOKING AT THE CONTINUUM OF HOUSING CHOICES IN SURREY

The housing continuum graphic (Figure 2.1) on the following page shows the mix of housing types (ownership and rental) in Surrey and provides information on the cost of different housing types and the income a household would need to carry the cost of this housing. The housing market information used in the graphic is based on MLS data from February 2017 while the calculation of the qualifying income assumes a 20% down payment, a fixed 5 year mortgage rate of 2.9% and a 25-year amortization period.

Column 1 & 2: Shows the income distribution of all households living in Surrey (owners and renters) and is based on the 2011 National Household Survey. It is anticipated that updated income data for 2016 will be released shortly at which time it would be possible to update the information that has been presented.

Column 3: Shows the median price for a single detached home in Surrey (\$1,198,000) based on the MLS market data (February 2017). It also shows the qualifying income needed to purchase a home at this price. As shown in Column 3, a household would need an annual income of \$182,400 to purchase the median priced single detached home based on a 20% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage.

Column 4: Shows the median price for a townhouse unit in Surrey (\$608,900) based on the MLS market data (February 2017). It also shows the qualifying income needed to purchase a home at this price. As shown in Column 4, a household would need an annual income of \$99,960 to purchase the median priced townhouse unit based on a 20% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage.

Column 5: Shows the median price for a 2-bedroom condo apartment unit in Surrey (\$389,000) based on the MLS market data (February 2017). It also shows the qualifying income needed to purchase a home at this price. As shown in Column 5, a household would need an annual income of \$69,192 to purchase the median priced 2-bedroom condo apartment unit in Surrey assuming a 10% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage.

Column 6: Shows the price for a 2-bedroom condo apartment unit at the 20th percentile, - a price that is viewed as the threshold for entry-level ownership. Based on the MLS market data (February 2017), the price for a 2-bedroom condo apartment unit in Surrey at the 20th percentile is \$299,900. To purchase this unit a household would need an annual income of \$61,200 assuming a 10% down payment, a 25 year amortization period, and a 2.9% closed five year mortgage.

Column 7: Shows the average market rent for a 2-bedroom apartment in Surrey based on the most recent rental market data published by Canada Mortgage and Housing Corporation (December 2016). As shown in Column 7, the average market rent for a 2-bedroom unit is \$1,006 per month. To carry the cost of this housing, without spending more than 30% of their income on their housing costs a household would need an annual income of \$40,240.

Column 6 & 7: Shows the threshold between renting and owning. To purchase an entry level unit in Surrey a household would need a down payment of \$30,000 and an annual income of \$61,200. This represents an income that is almost 42% higher than the median household income for renter households in Surrey in 2011 (2010 incomes). These findings are also consistent with the feedback received through the *Affordable Housing Survey*. In particular, feedback received through the survey found that the cost of ownership was one of the most frequently reported concerns among all respondents (renters and owners). Based on the feedback received 47% of all renters and 64% of all owners indicated that they saw the cost of ownership as a significant issue. As well, the feedback received through the City's *Affordable Housing Survey* found that 79% of the renters who responded to the survey indicated that they fully expected to remain renters for the foreseeable future and shows some of the challenges that a renter household could face as they try to make the transition from renting to owning.

FIGURE 2.1 THE CONTINUUM OF HOUSING CHOICES IN SURREY

Figure 2.1 shows the continuum of housing choices (ownership and rental) for Surrey by housing type, cost and income. It also includes information on the income needed for a household to be able to carry the cost of the housing at different income and price points.

Total Households: 152,850 (2011 Census and February 2017 MLS data)						
Total Owners: 111,660						Renters: 41,190
Income Distribution (\$)	Number of Households	Single Detached (50th percentile)	Townhouse (50th percentile)	2+ bedroom Condo (50th percentile)	2+ bedroom Condo (20th percentile)	Private Rental
Total	152,850	\$182,400				
\$125K+	28,905					
\$100K to 124,999	16,085					
\$80K to 99,999	18,165		\$99,960			
\$60K to 79,999	22,375			\$69,192	\$61,200	
\$50K to 59,999	12,185					
\$40K to 49,999	13,030					\$40,240
\$30K to 39,999	12,920					
\$20K to 29,999	11,495					
\$15K to 19,999	6,180					
\$10K to 14,999	4,140					
Under \$10K	7,360					
Housing Cost		\$1,198,000	\$608,900	\$389,000	\$299,900	\$1,006 / month

Assumptions: Calculation using MLS market data (February 2017) and based on a 25 year amortization period, 2.9% five year closed mortgage rate, with heating, property tax and condo fees included using CMHC mortgage affordability calculator. Down payments for condo attached and condo apartment units at the 20th percentile are set at 10% down, all others at 20%.

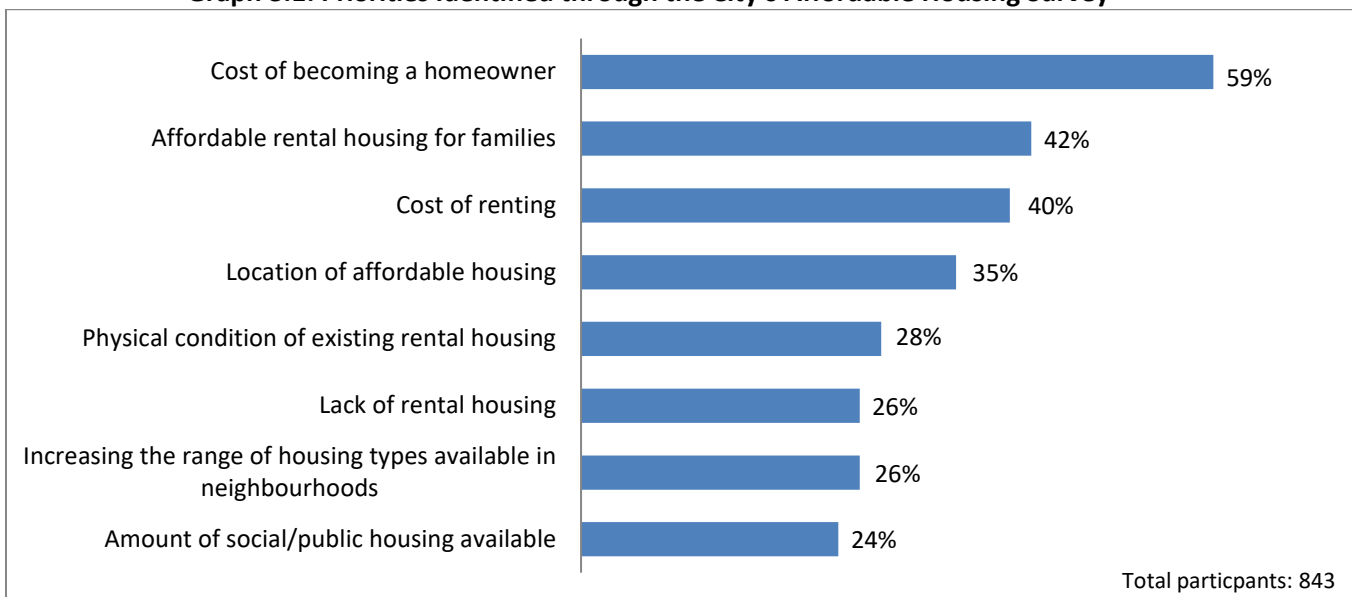
3.0 CURRENT CHALLENGES AND PRESSURES

This section looks at some of the specific issues and priorities that were raised by Surrey residents through the Affordable Housing Survey which was initiated earlier this year and which included questions around the role of the City as well as some of the specific issues and challenges that need to be addressed as well as the role of the City in helping to respond.

3.1 FEEDBACK TO THE CITY'S AFFORDABLE HOUSING SURVEY

Respondents to the City's *Affordable Housing Survey* were also asked to identify their priorities in terms of the types of issues to be addressed. As shown in Graph 3.1, the *cost of becoming an owner* was the most frequently identified response with 59% of all respondents (owners and renters) noting that they saw this as a concern. The next most frequently identified response was affordable rental housing for families followed by the cost of renting. The discussion in this section will begin to look more closely at some of the potential strategies and actions that the City can take to address these issues.

Graph 3.1: Priorities Identified through the City's Affordable Housing Survey



Source: *Affordable Housing Survey 2017*

3.2 THE ROLE OF THE CITY

Respondents to the City's *Affordable Housing Survey* were also asked to identify their priorities in terms of the types of issues to be addressed. As shown in Graph 3.8, the following reflect the top priorities identified by respondents to the City's *Affordable Housing Survey*. Among the priorities that were identified, the cost of owning and renting were among the top ranked concerns along with the need for more affordable rental housing for families.

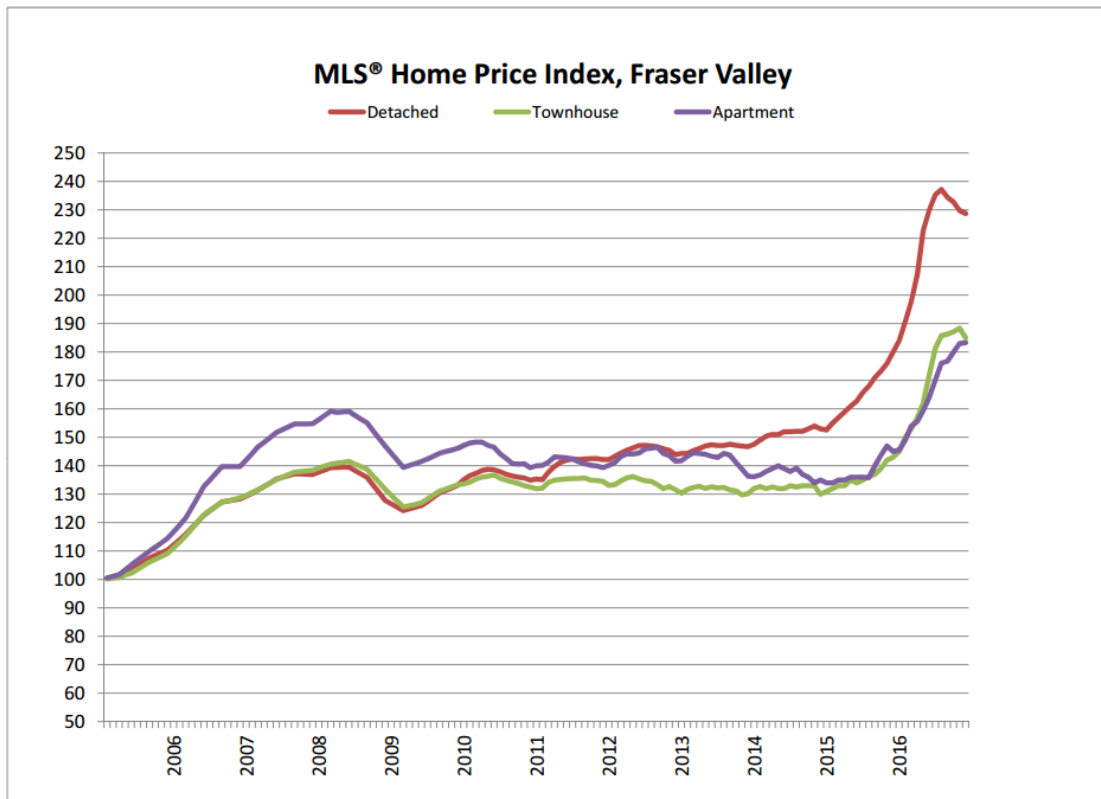
Graph 3.8: Priorities Identified through the City's Affordable Housing Survey

3.1 INCREASING ACCESS TO OWNERSHIP OPPORTUNITIES

Feedback received through the *Affordable Housing Survey* completed earlier this year suggested that the cost of owning is a concern for a larger number of households (renter and owners). Like other parts of the Metro Vancouver region, Surrey is currently experiencing significant upward pressure on the price of housing (driven by the high levels of demand). Graph 3.1 shows the escalation in the price of housing in Surrey in recent years. and the importance of ensuring that effective strategies are in place to meet on-going future demand. In the case of Surrey, the City has been successful in adding a mix of types of housing that allows for socially and economically diverse neighbourhoods and that help to promote transit-oriented development. These measures will continue to be important if the City is to be successful in responding to both existing and future housing demand. The findings from the *City's Affordable Housing Survey* also shows that there is strong support for the City to continue to work to find ways to ensure that families and individuals living in Surrey are able to gain

access to the ownership market with 59% of all respondents to the City's *Affordable Housing Survey* indicating that they felt that addressing the cost of becoming an owner should continue to be a priority. In the case of Surrey, this could include on-going experimentation with different housing forms and types including co-housing, flex-housing and lock-off suites.

Graph 3.1: MLS Home Price Index, Fraser Valley

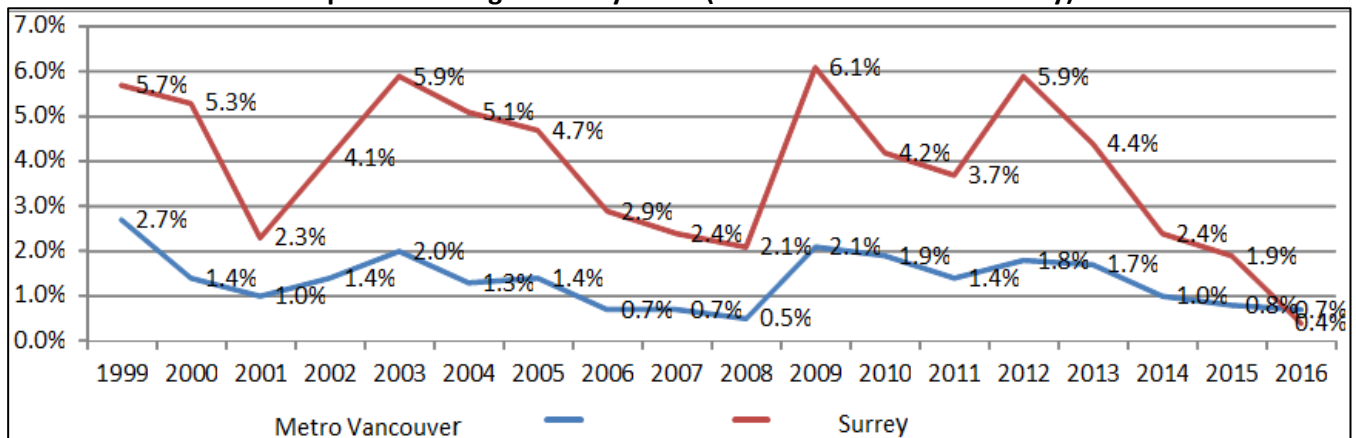


Source: Fraser Valley Real Estate Board (December 2016)

4.2 ON-GOING TIGHT RENTAL MARKET CONDITIONS

As the demand for rental housing continues to increase there will continue to be upward pressure on the rents. As well, the most recent rental market data published by CMHC shows that vacancy rates in Surrey have reached a critical low with the average vacancy rate in Surrey falling 0.4%. This is significantly below the average vacancy rate for the Metro Vancouver region as a whole (0.7%). It is also significantly below the 3% needed for a balanced market - one that provides renters with reasonable choice and landlords with a reasonable return on investment.

Graph 3.2: Average Vacancy Rates (Metro Vancouver and Surrey)



Source: CMHC Rental Market Report, December 2016

3.3 A CRITICAL SHORTAGE OF PURPOSE- BUILT RENTAL UNITS

Within Surrey, the secondary rental market represents a significant proportion of the rental housing stock. As shown in Table 3.1 as of December 2016 there were approximately 5,581 purpose-built rental housing units in Surrey. This represents only 14% of the total rental housing stock in Surrey. As shown in Table 3.1 the current vacancy rate for all unit types is extremely low with the vacancy rate for bachelor units and 3-bedroom units showing a critical shortage. Based on CMHC market data (December 2016) the vacancy rate for bachelor units in Surrey was 0% while the vacancy rate for 3-bedroom units in Surrey was 0.3%. While some of the demand for these units will be met through the secondary rental market (rented single detached, condo apartment units or garden and basement suites) this form of housing is often a less stable source of supply when compared to the inventory of purpose-built rental housing stock. It can be the case that these units are removed from the rental pool more frequently resulting in less security of tenure for the renter households living in this housing.

There is also a shortage of 3-bedroom units for larger family households as shown in Table 3.1 only 385 units in the current inventory of purpose-built rental housing stock are 3-bedroom units while 2011 Census showed that there were 11,225 renter households living in Surrey that included four or more persons. This represents approximately 27% of all renter households in Surrey while 3-bedroom units account for only approximately 7% of the total inventory of purpose-built rental housing stock. Some of these households will have found suitable and appropriate housing through secondary rentals while others may find themselves having to make compromises in terms of their housing and the amount of space or number of bedrooms available.

Table 3.1: Average Vacancy Rates across the Rental Housing Stock

	Metro Vancouver		City of Surrey	
	No. of Units	Vacancy Rate	No. of Units	Vacancy Rate (Surrey)
Bachelor	11,981	0.7%	133	0.0%
1-bedroom	67,302	0.7%	2,593	0.5%
2-bedroom	26,349	0.7%	2,470	0.4%
3+ bedroom	2,235	1.4%	385	0.3%
Average	10,7867	0.7%	5,581	0.4%

Source: CMHC Rental Market Report, December 2016

3.4 THE CURRENT INVESTMENT CLIMATE FOR RENTAL HOUSING

Table 3.2 provides a general overview of the current investment climate for rental housing including information on the different types of factors that can influence investment decisions. As shown in Table 3.2, the rental housing sector in Surrey has been reasonably stable in the past few years. The portfolio has neither expanded nor contracted and rental increases, until recently, have been relatively modest, trending at around 1% to 2.5% above general price inflation. However, the increase in rental housing demand combined with on-going tight rental conditions (including significantly lower vacancy rates in recent years) have resulted in upward pressure on rents. As well, in Provincial rent regulations that allow for re-pricing of units on turnover have also had an impact and has resulted in a small increase in the number of new rental housing units under construction. To some degree, the higher rent levels mean a higher rate of return on rental housing investments.

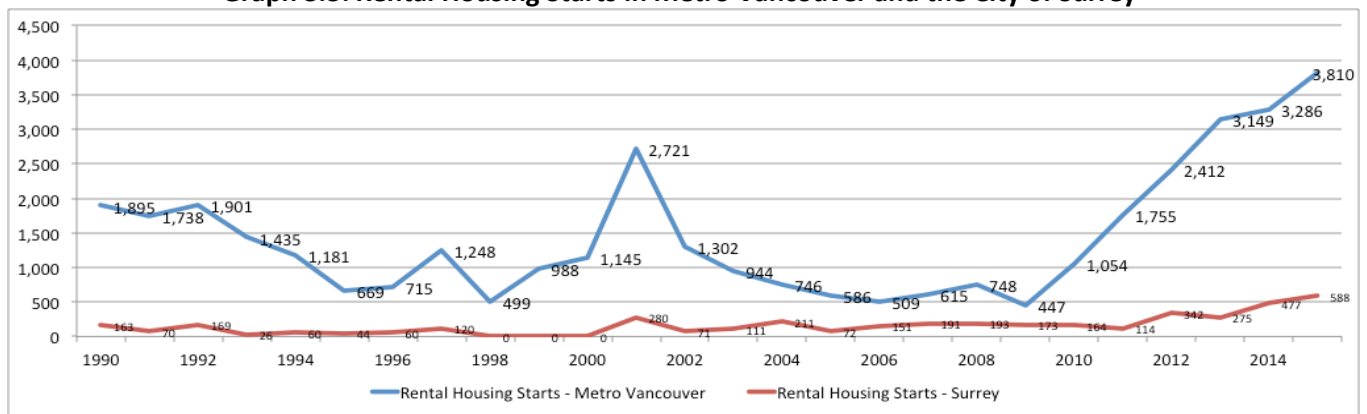
Table 3.2: Key Measures and Indicators for Understanding the Investment Climate for Purpose-Built Rental Housing

Scale of Market	Surrey is a relatively small rental market within the region with approximately 5,892 (1.4%) of 114,729 apartment rental units in Metro Vancouver.	70 buildings are wood frame (2,040 units) and 19 are concrete (3,307 units). All built pre-1980.	Reflects regional trends
Transaction Volumes	Regionally and within Surrey, investment demand remains high with 2015 and 2016 volumes increased by 270% vs. the average of the 8 years.	Demonstrates good liquidity in market.	Good liquidity

Trend on Value per Unit	Regional price per unit are all up with New Westminster, Surrey, White Rock up by 50% over 10 years. Burnaby and North Vancouver up by 20% and City of Vancouver up to 250% or more	Demonstrates strong investment demand and anticipation of above inflation rent increases.	Strong demand
Access to Purchase Finance	Financing apartment acquisition or major maintenance is rarely	Finance sector routinely underwrites purchase loans although some borrowers report restrictive terms.	Good access to credit
Vacancy rates, apartment stock	Vacancy rates ranged from 0.3% to 2.9% in recent years. Presently 0,3% as compared to 0.7% for Vancouver CMA	Reflects limited supply and strong rental demand conditions	High demand and rental inflation pressures
Yield on Investment (Capitalization rates)	Average cap rate has improved from an investor perspective going from 6.5% in 2000 to 4.5% in 2009 and presently as low as 3.5%	Estimated Internal Rate of Return model is consistent with Cap Rate findings	High investor demand even considering low interest rate environment

Source: Compiled by McClanaghan & Associates

Graph 3.3: Rental Housing Starts in Metro Vancouver and the City of Surrey



Source: Metro Vancouver Housing Data Book (2016)

3.5 INCREASING THE SUPPLY OF PURPOSE-BUILT RENTAL HOUSING

To some extent, new rental housing construction has been at a disadvantage when competing for land with other forms of development (especially strata tenure developments). As well, past experience has shown that it is often difficult to make the project economics for new rental housing “pencil” without adopting specific incentives to help bring down the costs of construction. This could include one-time capital grants, favourable financing terms as well as planning and regulatory concessions such as waiving or reducing parking requirements in developments that are well served by transit as well as targeted strategies designed to streamline the planning and approvals process.

3.6 MEETING THE NEEDS OF LOW INCOME RENTERS

New social housing developments face many of the same challenges in terms of competition for available land and the cost of construction. As well there is the added pressure of providing housing that is affordable to households with low to moderate incomes. Under traditional housing supply programs, the capital and operating funding was provided through a mix of programs financed under the different government supply program (Federal, Federal/Provincial, and Provincial). However, under more recent programs the types of funding and partnership arrangements have become more complex with a larger number of partners needed to come to the table to help to put into place effective strategies for responding to existing and emerging housing needs.

Recent Federal announcements have focused on both increasing the supply of rental housing as well as improving on the overall affordability of the housing that is created. Under the recent Federal announcements (Budget 2016), the government made a commitment of \$2.3 billion in funding for an *Affordable Housing Investment Fund*, \$2.5 billion in funding for an *Affordable Rental Housing Financing Initiative*, and \$208 million for an *Affordable Rental Housing Innovation Fund*. Budget 2017 included a number of additional announcements included *Seed Funding* of up to \$50,000 in capital grants and/or interest free loans of up to \$200,000 to encourage the development of housing that is affordable to households with low to moderate incomes. Under the program guidelines affordability is defined as households with an annual income equal to 30% of the median census family income for the region.¹² Budget 2017 also introduced a *Federal Innovation Fund* which included \$200 million to be paid over five (5) years to support innovative ideas for increasing the supply of affordable rental housing as well as rental construction financing in the form of low cost construction loans which are available to municipalities, private sector developers and builders, social investment organizations and non-profit housing providers to support the construction of affordable rental housing across Canada.

To access the Federal funding, CMHC has established the following criteria:

- **Rents must be set at below market rates:** Based on the program guidelines below market rates are developments where the total rental income is 10% below the potential rental income that could be generated (based on an appraisal);
- **A percentage of the units in a development must be set aside as affordable:** Based on the program guidelines, developments must include 5 units or more of which 20% of the units must have rents that are affordable to households at 30% of the median household income for the Census Metropolitan Area.
- **Duration of affordability:** CMHC has also established that units funded through these programs must remain affordable for a minimum of 10 years.

It is also expected that the housing will contribute to other broader social outcomes including accessibility¹³, energy efficiency¹⁴ and/or go deeper in terms of affordability and the range of needs to be met through this housing. To access this funding it is also expected that the proposed development is financially viable and that there are demonstrated partnerships in the form of other sources of funding as well as municipal concessions and/or an expedited planning/approvals process. It was also noted that there must be provisions in place to preserve the affordability of the housing for at least 10 years.

¹² Based on the Annual Income Estimates for Census Families and Individuals the median census as family income for Metro Vancouver’s CMA was \$79,930 in 2015. Applying CMHC’s definition of affordability, housing development through CMHC’s Seed Funding would be targeted to households with an annual income of up to \$23,979 and for which an affordable rent is \$600 per month.

¹³ **Accessibility:** Developments that are approved must include provisions which allow for 10% of units to meet or exceed local accessibility requirements and/or the accessibility requirements as set out in the 2015 National Building Code

¹⁴ **Energy Efficiency:** Eligible developments must be successful in achieving a minimum of a 15% decrease in energy use and greenhouse gas emissions.

Table 3.3: Affordable Housing Partnership and Project Structure – Responsibility Matrix

In addition to the need for a mix of incentives at the local level there is also the need for multiple partners to come to the table. This includes partnerships with the non-profit societies as well as housing and service providers who frequently bring land or equity. It also includes partnerships with other levels of government (Federal and Provincial) who are able to bring financing and/or other types of funding needed to help enable new supply. Table 3.3 on the following page shows the general partnership arrangements, roles and responsibilities as well as the “deal structure” for new affordable developments.

Originating Social Purpose Residential Projects				
Responsibility Matrix	Societies	Funders	Municipalities	Developers
Development Team Selection	Typically chooses architect and development consultant	Influence Society decision	Key on "Solo" projects, may dictate team	Key on developer deals
A. Site Control	Existing site - owned or optioned redevelop of current building/site	Approval of site and land and/or lease	Lease site (discount varies)	Owned or optioned
B. Housing Program Control	Target - seniors, youth family etc. <ul style="list-style-type: none"> Affordability profile & attendant costs Housing with supports Housing with contracted supports 	Program preference: <ul style="list-style-type: none"> target group affordability profile amount and form of subsidy rental typically needs incentives 	<ul style="list-style-type: none"> Key on developer driven deals Key on "solo" model Influence on most deals by: <ul style="list-style-type: none"> rezoning control Affordable Housing Strategy 	<ul style="list-style-type: none"> City required affordable product Rental Projects and emerging programs
C1. Financial - Loans full subsidy to no subsidy	<ul style="list-style-type: none"> Borrower/Applicant Charitable Eligible for Grant 	<ul style="list-style-type: none"> BC Housing & CMHC new rental Commercial lenders like Vancity Mezzanine lenders 	N/A	Commercial lenders
C2. Financial - equity, grant, incentives	<ul style="list-style-type: none"> Own resources Eligibility & fit 	Charitable foundations	<ul style="list-style-type: none"> Provide grants, incentives Discounted lease terms 	<ul style="list-style-type: none"> Use equity for market portion Ineligible for grants and donations Eligible for various incentives
C3. Financial - early grant money (PDF)	<ul style="list-style-type: none"> Eligible grantee 	<ul style="list-style-type: none"> CMHC BC Housing 	Seldom	N/A
<p>Architect Roles: Design, code, co-ordination and process by way of services to Society Development Consultant Roles: Funding, tenure, legal, cost and process by way of advice to the Society</p>				

3.7 ADDRESSING THE NEEDS OF LOW INCOME RENTERS

In addition to supply-side measures, demand-side measures also play an important role in terms of addressing on-going housing affordability needs. This includes the assistance that is available to families and seniors who are living in housing in the private rental market and who are receiving assistance through the Province’s SAFER¹⁵ and RAP¹⁶ program. As reported earlier, this includes approximately 1,379 families in Surrey who were receiving assistance through the Province’s RAP program as well as 1,679 seniors in Surrey who were receiving assistance through the SAFER program. This represents approximately 7% of all renter households in Surrey and approximately 40% of all of the subsidized housing units. Furthermore, while the average market rents for the purpose-built rental housing stock is mostly aligned with the maximum rent ceiling under the Province’s SAFER and RAP programs, the average market rents for the rented condo apartment stock or rented single detached, semi-detached and row house stock typically fall outside of the maximum rent ceilings that have been set. This means that this housing is significantly less affordable to many households with low to moderate incomes and that their households will have even fewer housing choices.

Table 3.4: Maximum Rent Ceilings and Affordability Gap

	Metro Vancouver		City of Surrey	
	Average Rent	Amount of Rent Above the SAFER and RAP Maximum	Average Rent	Amount of Rent Above the SAFER and RAP Maximum
Bachelor	\$1,013	(\$248)	\$728	\$37
1-bedroom	\$1,159	(\$334)	\$855	(\$30)
2-bedroom	\$1,450	(\$395)	\$1,006	\$49
3+ bedroom	\$1,631	(\$441)	\$1,169	\$21
Average	\$1,223	(\$248)	\$940	\$37

Source: Calculated by McClanaghan & Associates based on SAFER and RAP rent ceilings published by BC Housing and CMHC Rental Market Report, December 2016.

¹⁵ SAFER is the Shelter Aid for Elderly Renters program. It provides rent assistance to low income seniors living in the private rental market. Under the SAFER program, the rent ceiling for a bachelor unit is \$765 per month while the rent ceiling for a one-bedroom unit is \$825 per month.

¹⁶ RAP is Rental Assistance for Families. Under the RAP Program, the rent ceiling is set at \$1,055 for a two-bedroom unit and \$1,190 for a three-bedroom unit.

3.8 PREVENTING THE LOSS OF THE EXISTING PURPOSE-BUILT RENTAL HOUSING STOCK

The older purpose-built rental housing stock also represents some of the more affordable housing. As shown in Table 3.5 the average market rents for units built before 1995 were more affordable when compared to more recent developments (units built after 1995). This is true for all unit sizes and types and has significant implications in terms of the overall affordability for households just entering the market and/or moving to Surrey. It also draws attention to the need for the City to take measures to preserve and protect the older existing purpose-built rental housing stock. Concerns about the potential loss of this housing were also reflected in the responses received to the City's *Affordable Housing Survey* both in terms of measures to improve the overall quality of the housing as well as in terms of measures to prevent the loss of this housing through redevelopment pressures. Based on the responses received to the City's *Affordable Housing Survey*, 86% of renter households indicated that measures to improve the maintenance and condition of the existing rental housing stock were important or very important. Similarly 89% of renter households identified the need for measures to protect the existing rental housing stock.

Table 3.5: Average Market Rents for Units Built Before 1975 and Units Built After 1990

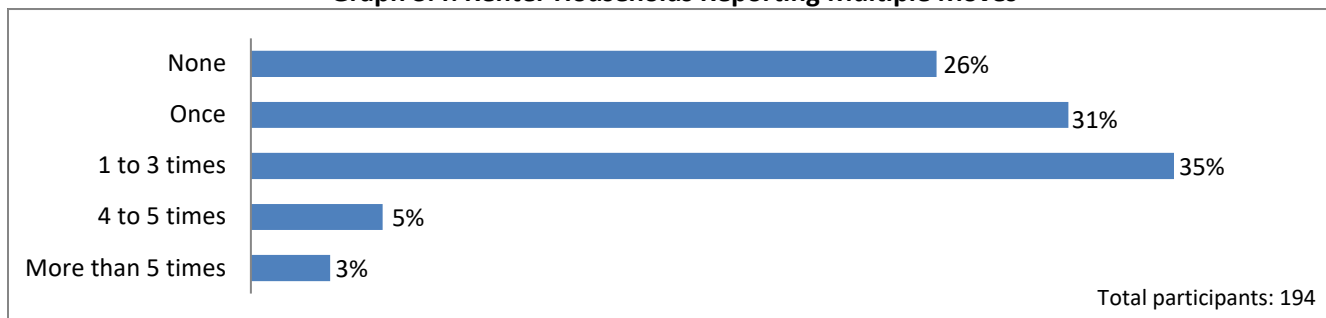
	Older Stock (Built Before 1975)		Newer Stock (Built After 1990)	
	Average Market Rent	Affordability Threshold	Average Market Rent	Affordability Threshold
Bachelor	\$735	\$29,400	-	-
1-bedroom	\$831	\$33,240	\$949	\$37,960
2-bedroom	\$945	\$37,800	\$1,127	\$45,080
3+ bedroom	\$1,146	\$45,840	\$1,270	\$50,800
Average	\$905	\$36,200	\$1,106	\$44,240

Source: CMHC Rental Market Report, December 2016

3.9 THE POTENTIAL DISPLACEMENT OF RENTER HOUSEHOLDS

Based on the 2011 Census there were 9,045 renter households living in Surrey with an annual income of \$20,000 or less. At this income, an affordable rent is \$500 per month or less. In looking at the 2011 Census, the findings suggest that the actual demand for housing that rents for \$500 per month or less is 2.4 times greater than the number of units available. Furthermore, the available data also shows that there were 4,560 households in Surrey in 2011 who were spending 50% or more of their income on their housing costs. These are households who face extreme affordability challenges and who are at increased risk of losing their housing through economic eviction. The challenges that this poses were evident in the responses received from renter households who participated in the City's *Affordable Housing Survey* where 74% of all respondents reported that they had moved at least once in the past five years, including almost 1 in 10 respondents who reported that they moved multiple times.

Graph 3.4: Renter Households Reporting Multiple Moves

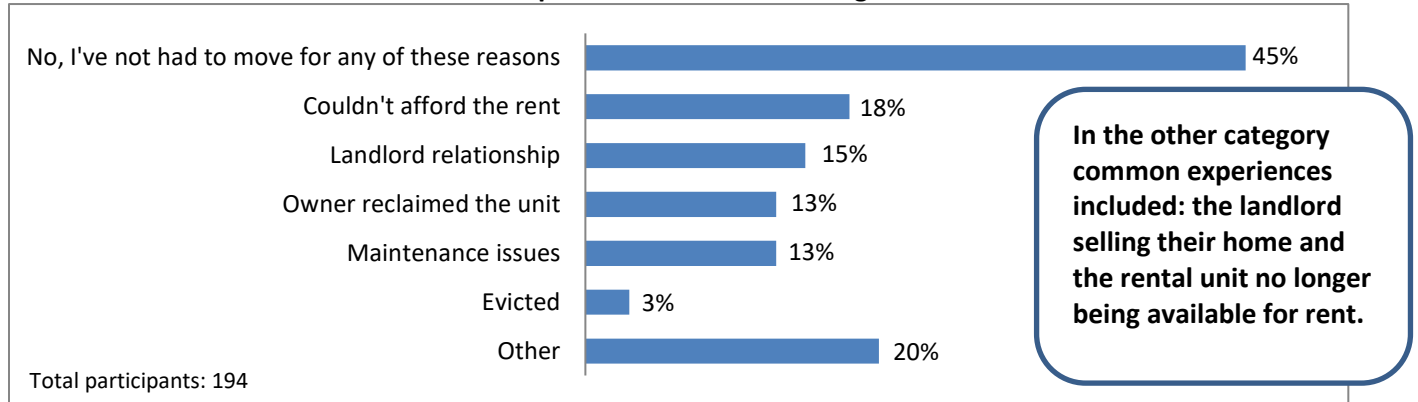


Source: *Affordable Housing Survey 2017*

3.10 REASONS FOR MOVING

When asked about their reasons for moving, 1 in 5 respondents (18%) reported that they could not afford their rent while 1 in 8 respondents (15%) reported that they had some issues with their landlord. There were also 13% of respondents who reported that they had to move because their landlord reclaimed their unit and/or because of concerns about the general quality of their housing. Of those who identified other reasons, typical examples included the owner selling their home and the rental unit no longer being available for rent. In some cases, respondents also identified a particular issue with their unit.

Graph 3.5: Reasons for Moving

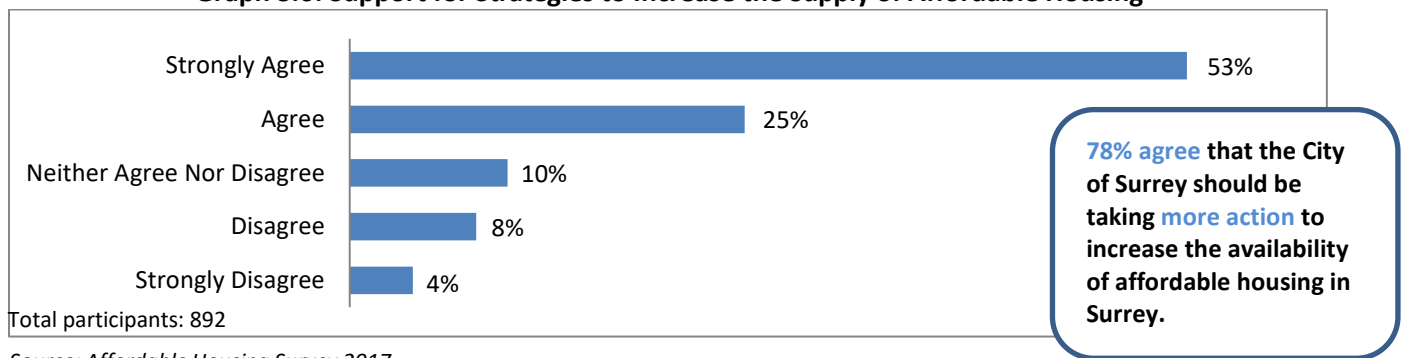


Source: Affordable Housing Survey 2017

3.11 EFFECTIVELY RESPONDING TO LOCAL HOUSING NEEDS

When looking at the diverse range of housing needs in Surrey, those who responded to the *Affordable Housing Survey* reported that they felt that the City should be taking more action to increase the supply and availability of affordable housing in Surrey with 78% of all respondents reporting that they agree or strongly agree with this statement.

Graph 3.6: Support for Strategies to Increase the Supply of Affordable Housing

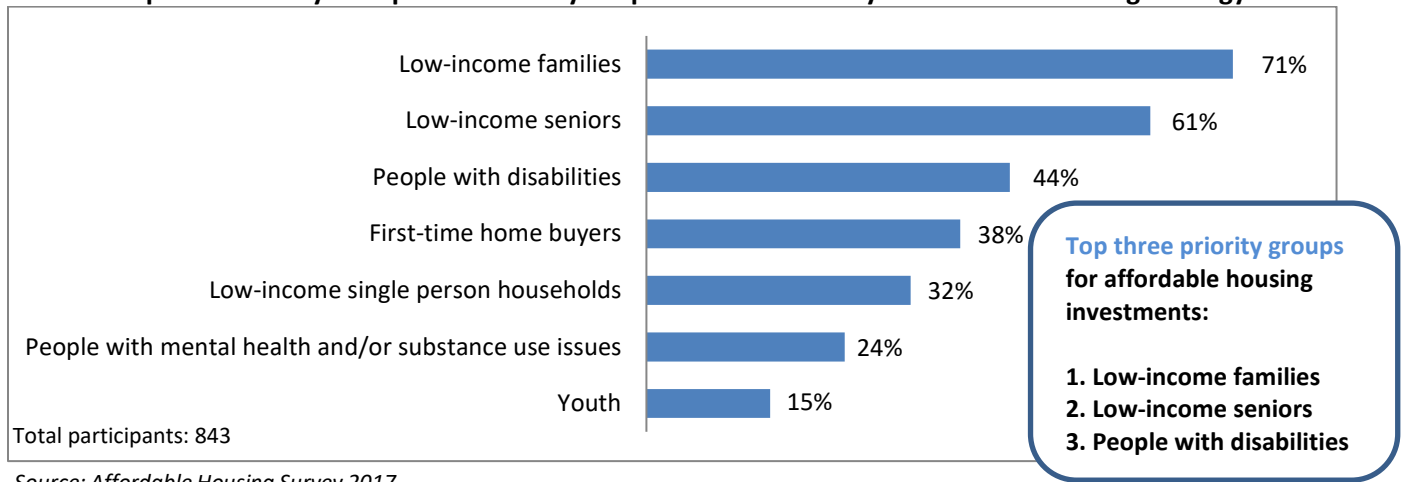


Source: Affordable Housing Survey 2017

3.12 PRIORITY GROUPS

When asked about the priority groups who should be supported through increased housing investments, low income families, low income seniors and people with disabilities were identified as the top three priority groups by respondents to the City’s Affordable Housing Strategy.

Graph 3.7: Priority Groups Identified by Respondents to the City’s Affordable Housing Strategy

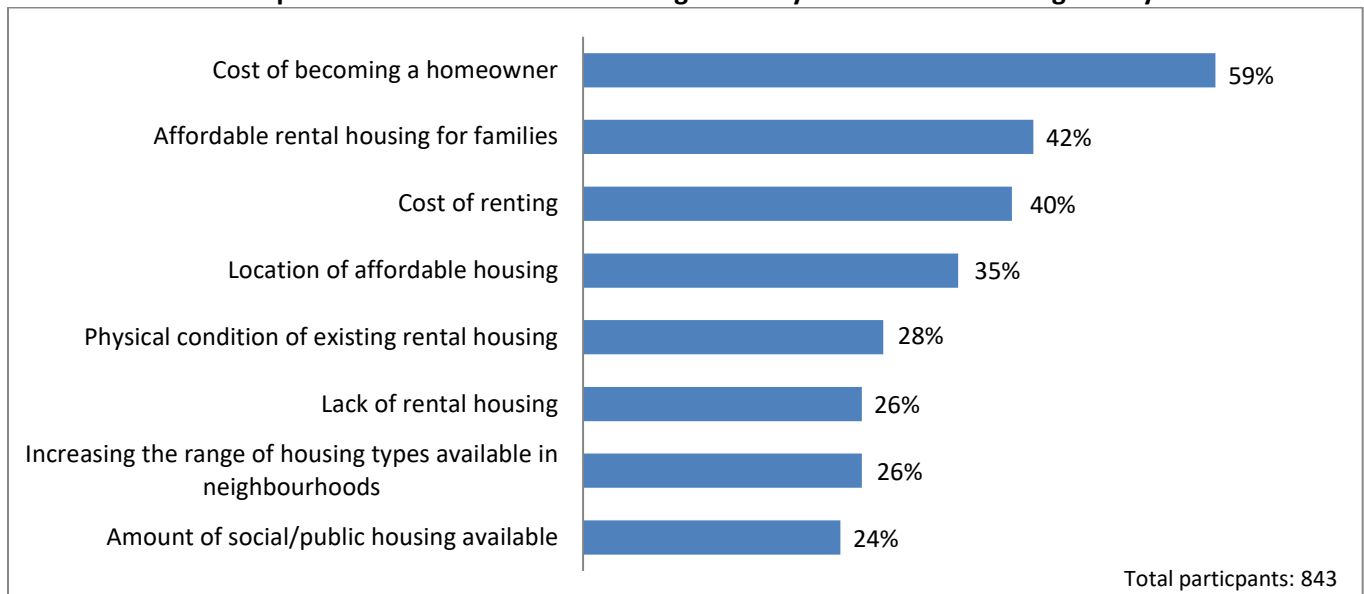


Source: Affordable Housing Survey 2017

3.13 KEY ISSUES AND CHALLENGES

Respondents to the City’s Affordable Housing Survey were also asked to identify their priorities in terms of the types of issues to be addressed. As shown in Graph 3.8, the following reflect the top priorities identified by respondents to the City’s Affordable Housing Survey. Among the priorities that were identified, the cost of owning and renting were among the top ranked concerns along with the need for more affordable rental housing for families.

Graph 3.8: Priorities Identified through the City’s Affordable Housing Survey

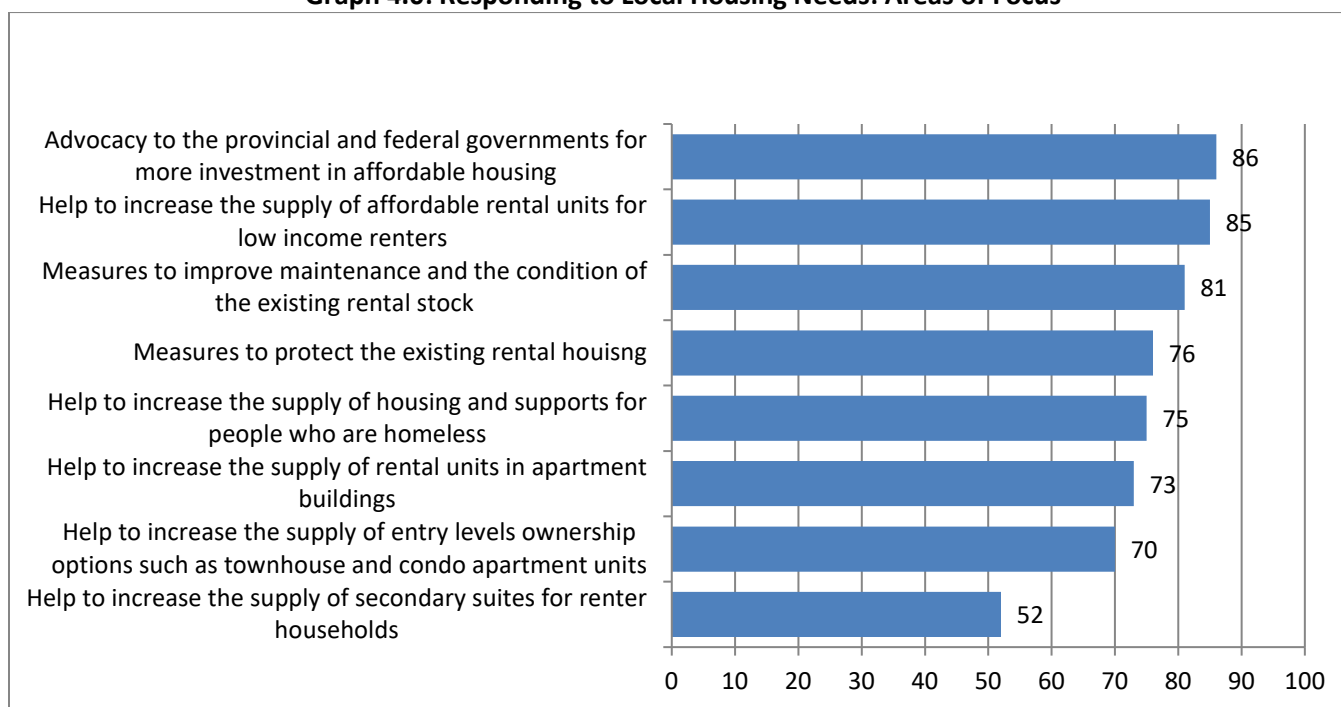


Source: Affordable Housing Survey 2017

4.0 CONCLUSIONS AND RECOMMENDATIONS

Local government partners play a central role in terms of helping to facilitate and support an expanded range of housing choices. This is done through the use of regulatory tools and incentives through the local planning and regulatory process. In some cases local governments also provide land at below market rates or make other types of concessions that can help to improve the overall cost and affordability of the housing that is developed. In the case of Surrey, respondents to the City's *Affordable Housing Survey* felt that increasing the supply of affordable rental units for low-income renters should be viewed as a priority as well as increasing the supply of housing and supports for those who are homeless or at risk of homelessness. Based on the feedback received through the survey, 85% of respondents indicated that they felt that increasing the supply of affordable rental units for low-income renters was important or very important while 75% of respondents indicated that increasing the supply of housing and supports for those who are homeless or at risk of homelessness was important or very important. Both of these priorities are aligned with the City's current priorities and policy directions including the City's *Master Plan to House the Homeless*.

Graph 4.0: Responding to Local Housing Needs: Areas of Focus



Source: *Affordable Housing Survey (May 2017)*

In preparing the strategies and actions set out in this report it is recognized that, in the absence of new rental housing supply, both the City of Surrey and the Metro Vancouver region as a whole are likely to continue to experience on-going housing affordability pressures into the foreseeable future. Furthermore, it is necessary to recognize that cities alone do not have the resources or regulatory authority needed to address the full range of challenges and pressures they face. As a result, an effective response requires significant financial investments as well as effective partnerships with the private sector as well as across all levels of government.

It is also recognized that to a large extent, the City of Surrey has continued to demonstrate a strong commitment to addressing the housing needs of all residents. This includes direct investment in increasing the supply of housing available to households at the lower end of the housing and income continuum as well as through the use of the City's planning and regulatory powers as a means of encouraging and enabling new housing supply. The strategies and actions set out in this report look at the different roles that the City can continue to play in helping to facilitate and support an expanded range of housing choices and in preserving and protecting the existing stock.

To respond to the various challenges and pressures set out in this report, this section outlines a series of strategies and policy direction for the City to consider. This includes potential strategies and actions related to preserving and protecting the existing rental housing stock, as well as strategies designed to increase the supply of new purpose-built rental housing. This section also includes targeted strategies to respond to the specific needs of low-income renter households.

The following presents a summary of the recommendations:

1.0 Existing Rental Housing Stock

- 1.1 Prevent the loss of the existing purpose built-rental housing stock.
 - 1.1.1 Adopt a 1 for 1 replacement policy or zero rate of change policy
 - 1.1.2 Develop a “Tenant Protection and Relocation Policy” to protect tenants who may be at risk of losing their housing through redevelopment.
 - 1.1.3 Advocate for changes to the Provincial legislation to strengthen tenant protection around health, safety and discrimination.

2.0 New Affordable Rental Housing Supply

- 2.1 Encourage the development of new purpose-built rental housing.
 - 2.1.1 Maintain zoned capacity and streamline the development approvals process for new purpose-built rental housing stock.
 - 2.1.2 Adopt an incentive-based approach to encourage the development of new rental housing including the provision of a mix of incentives designed to improve the overall affordability profile including:
 - Waiving or reducing parking requirements in areas that are well-served by transit;
 - Streamlining the development approvals process by automatic qualification in the City’s Nexus program;
 - Waiving or reducing the City’s processing fees and/or providing a grant in lieu to cover development cost charges (DCCs)
 - 2.1.3 Explore opportunities to take advantage of the Federal funding available through the *Affordable Housing Investment Fund*, the *Affordable Rental Housing Financing Initiative*, and the *Affordable Housing Innovation Fund*.
 - 2.1.4 Continue to explore planning and regulatory measures to add new supply through the secondary rental market including coach house units, garden and basement suites as well as infill housing.
 - 2.1.5 Encourage energy efficient building design and promote support for energy retrofit programs and partnerships.

3.0 Address the Needs of Low Income Renters

- 3.1 Identify opportunities to increase the supply of housing affordable to renter households with low to moderate incomes living in Surrey.
 - 3.1.1 Work in partnership with BC Housing, CMHC, and others to increase the inventory of non-market housing units in Surrey.
 - 3.1.2 Re-establishing the City’s *Affordable Housing Reserve Fund* and introduce a requirement that any new multi-unit residential development (or single family development that requires a rezoning) contribute funding in the range of \$500 and \$1,000 per unit to be used to improve and/or address on-going housing affordability challenges.
 - 3.1.3 Adopt a policy to provide grants or incentives to support the creation of new affordable rental housing units at below market rates including:
 - Waiving or reducing parking requirements in areas that are well-served by transit;
 - Streamlining the development approvals process by automatic qualification in the City’s Nexus program;
 - Waiving or reducing the City’s processing fees and/or providing a grant in lieu to cover development cost charges (DCCs).
 - 3.1.4 Make City-owned land available at or below market rates to support the development of affordable rental housing; and,
 - 3.1.5 Explore the development of an inclusionary housing policy that requires that a percentage of units in new multi-unit residential developments be affordable to households with low to moderate incomes.
 - 3.1.6 Continue the implementation of the strategies and actions set out in the City’s *Master Plan for Housing the Homeless*.

EXISTING RENTAL HOUSING STOCK

Prevent the Loss of the Existing Purpose-Built Rental Housing Stock	
Action	Comment
<p>Adopt a 1 for 1 replacement policy or zero rate of change policy</p>	<p>Although the proportion of the stock in Surrey that is at risk of redevelopment is lower when compared to other parts of the region, two key factors should be taken into consideration. First, 29 buildings are at risk of redevelopment (likely because they are in poorer condition). Secondly, although not immediate, if land prices for multi-unit condominium sites continue to increase then the redevelopment pressures will also increase. This, in turn, will put greater pressure on the existing rental housing stock with a larger proportion of rental properties in Surrey being “under-developed” relative to the current zoning and which will result in greater re-development pressure. As a result, it is recommended that the City of Surrey adopt a zero rate of change policy or 1-for-1 replacement policy to prevent the loss of the existing rental housing stock.</p>
<p>Develop a “Tenant Protection and Relocation Policy” to protect tenants who may be at risk of losing their housing through redevelopment.</p>	<p>Many of the rental housing units in Surrey are in the older buildings some of which appear to be in poorer condition. Tenants have both reported concerns about discrimination in terms of access to housing as well as concerns about their security of tenure. A number of tenants have also reported concerns about the overall quality and condition of their housing including concerns about mold, pests and bedbugs. Some tenants have expressed concern about the quality and condition of their housing. At the same time, many of the issues that have been identified fall outside of the authority available to local government under their Standards of Maintenance Bylaws. In order to better protect existing tenants, it is recommended that the City of Surrey continue to look at measures to strengthen the enforcement of its current Standards of Maintenance Bylaw including exploring the development of a system to track the performance of current building owners (subject to privacy requirements).</p>
<p>Advocate for changes to the Provincial legislation to strengthen tenant protection around health, safety and discrimination.</p>	<p>As housing demand continues to increase there is increased pressure on the existing stock both in terms of redevelopment pressure and in terms of the potential for tenants to be evicted to allow landlords to make significant repairs and upgrades to their units. Some concerns have been raised that some landlords are using renovations and repairs as a way to circumvent the Province’s rent control regulations with the intention being to make the repairs and then put the unit back on the market at a higher price. By introducing a <i>Tenant Protection Policy</i> that includes both specific requirements around notice, choice and financial support it will allow for greater protections for tenants who may be at risk of losing their housing through redevelopment pressures or through renovations.</p>

NEW AFFORDABLE RENTAL HOUSING SUPPLY

Encourage the development of new purpose-built rental housing stock through partnerships and through the use of municipal enablement strategies	
Action	Comment
<p>Maintain zoned capacity and streamline the development approvals process for new purpose-built rental housing stock.</p>	<p>To a large extent, the City of Surrey has continued to demonstrate a strong commitment to addressing the needs of all residents including the direct investment of resources to increase the supply of housing available to households at the lower end of the housing and income continuum. The City has also had success in helping to encourage the development of new rental housing through the City’s planning and approvals process. The City should continue to explore opportunities to increase the supply of new rental housing units through an incentive based approach including:</p> <ul style="list-style-type: none"> • Waiving or reducing parking requirements in areas that are well-served by transit; • Streamlining the development approvals process by automatic qualification for the City’s Nexus processing program; • Making City-land available at market or below market rates to support the development of affordable housing; • Waiving or reducing the City’s processing fees and/or providing a grant in lieu to cover Development Costs Charges with these types of measures being used to help to improve the overall cost profile of the housing that is created and facilitate and support the development of additional affordable rental housing units in Surrey.
<p>Adopt an incentive-based approach to encourage the development of new rental housing including the provision of a mix of incentives designed to improve the overall affordability profile including:</p>	<ul style="list-style-type: none"> • Waiving or reducing parking requirements in areas that are well-served by transit; • Streamlining the development approvals process by automatic qualification in the City’s Nexus program; • Waiving or reducing the City’s processing fees and/or providing a grant in lieu to cover development cost charges (DCCs)

Encourage the development of new purpose-built rental housing stock through partnerships and through the use of municipal enablement strategies

Action	Comment
<p>Explore opportunities to take advantage of the Federal funding available through the <i>Affordable Housing Investment Fund</i>, the <i>Affordable Rental Housing Financing Initiative</i>, and the <i>Affordable Housing Innovation Fund</i>.</p>	<p>As part of the recent Federal budget (2016), the Federal government made a commitment to provide \$2.3 billion toward an Affordable Housing Investment Fund, \$2.5 billion toward an Affordable Rental Housing Financing Initiative and \$208 million toward an Affordable Rental Housing Innovation Fund. Budget 2017 included a number of additional announcements and targeted strategies including seed funding as well as rental construction financing for municipalities, private market developers and builders as well as social investment organizations and non-profit housing providers to support the construction of affordable rental housing across Canada. This would include approximately \$2.5B over four years in the form of low cost loans to local government and housing providers to facilitate the development of new affordable housing units.</p>
<p>Continue to explore planning and regulatory measures to add new supply through the secondary rental market including coach house units, garden and basement suites as well as infill housing.</p>	<p>As housing demand continues to increase there is increased pressure on the existing stock both in terms of redevelopment pressure and in terms of the potential for tenants to be evicted to allow landlords to make significant repairs and upgrades to their units. Some concerns have been raised that some landlords are using renovations and repairs as a way to circumvent the Province’s rent control regulations with the intention being to make the repairs and then put the unit back on the market at a higher price. By introducing a <i>Tenant Protection Policy</i> that includes both specific requirements around notice, choice and financial support it will allow for greater protections for tenants who may be at risk of losing their housing through redevelopment pressures or through renovations.</p>
<p>Encourage energy efficient building design and promote support for energy retrofit programs and partnerships.</p>	<p>Energy used for heating, cooling and lighting is a significant operational expense for residential buildings. These costs are paid by building occupants directly through utility bills and indirectly through strata fees or rents. Through its commitment to reducing greenhouse gas emissions, the City of Surrey has developed policies and programs that support the market in the construction of more energy efficient homes, resulting in more sustainable buildings that are more affordable to operate while providing comfort, health and environmental benefits. Furthermore, the City of Surrey supports and promotes numerous programs that encourage energy reductions in the existing building stock. The City should advance further opportunities to reduce energy costs for residents by adopting the BC Energy Step Code for new construction and helping to ensure home owners, strata councils and landlords access retrofit programs offered by the utilities and the provincial and federal governments.</p>

ADDRESSING THE NEEDS OF LOW INCOME RENTERS

Increase the supply of housing affordable to renter households with low to moderate incomes living in Surrey.

Action	Comment
<p>Continue to explore planning and regulatory measures to add new supply including on-going policies to promote secondary suites and infill housing where appropriate</p>	
<p>Work in partnership with BC Housing, CMHC, and others to increase the inventory of non-market housing units in Surrey.</p>	<p>To a large extent, the City of Surrey has continued to demonstrate a strong commitment to addressing the needs of all residents including the direct investment of resources to increase the supply of housing available to households at the lower end of the housing and income continuum. The City has also had success in helping to encourage the development of new rental housing through the City’s planning and approvals process. The City should continue to explore opportunities to increase the supply of new rental housing units through an incentive based approach including:</p> <ul style="list-style-type: none"> • Waiving or reducing parking requirements in areas that are well-served by transit; • Streamlining the development approvals process by automatic qualification for the City’s Nexus processing program; • Making City-land available at market or below market rates to support the development of affordable housing; • Waiving or reducing the City’s processing fees and/or providing a grant in lieu to cover Development Costs Charges with these types of measures being used to help to improve the overall cost profile of the housing that is created and facilitate and support the development of additional affordable rental housing units in Surrey.

Increase the supply of housing affordable to renter households with low to moderate incomes living in Surrey.

Action	Comment
<p>Re-establishing the City's <i>Affordable Housing Reserve Fund</i> and introduce a requirement that any new multi-unit residential development (or single family development that requires a rezoning) contribute funding in the range of \$500 and \$1,000 per unit to be used to improve and/or address on-going housing affordability challenges.</p>	
<p>Adopt a policy to provide grants or incentives to support the creation of new affordable rental housing units at below market rates including:</p>	<ul style="list-style-type: none"> • Waiving or reducing parking requirements in areas that are well-served by transit; • Streamlining the development approvals process by automatic qualification in the City's Nexus program; • Waiving or reducing the City's processing fees and/or providing a grant in lieu to cover development cost charges (DCCs)
<p>Make City-owned land available at market or below market rates to support the development of affordable rental housing; and,</p>	

Increase the supply of housing affordable to renter households with low to moderate incomes living in Surrey.

Action	Comment
<p>Explore the development of an inclusion housing policy that requires that a percentage of units in new multi-unit residential developments be affordable to households with low to moderate incomes.</p>	
<p>Continue the implementation of the strategies and actions set out in the City's <i>Master Plan for Housing the Homeless</i>.</p>	

5.0 POLICY DIRECTIONS

5.1 POLICY DIRECTION #1 - EXISTING RENTAL HOUSING

Recommended Action 1:

PREVENT THE LOSS OF THE EXISTING PURPOSE-BUILT MARKET RENTAL HOUSING STOCK

Recent research commissioned by the City of Surrey, which looked at the redevelopment risks of the existing purpose-built rental housing stock, suggests that 29 buildings (451 units) are at risk of redevelopment. This represents approximately 8% of the purpose built rental housing stock in Surrey. To determine this number, the study looked at the value of the existing assets compared to the potential benefit that could be realized through the alternate scenario of reduced pricing of the site up to the full-zoned capacity. Through this process, there were 29 developments (451 units) that were identified as being at increased risk of redevelopment.

Although the proportion of the stock in Surrey that is at risk of redevelopment is lower when compared to other parts of the region, two key factors should be taken into consideration. First, 29 buildings are at risk of redevelopment (likely because they are in poorer condition). Secondly, although not immediate, if land prices for multi-unit condominium sites continue to increase then the redevelopment pressures will also increase. This, in turn, will put greater pressure on the existing rental housing stock with a larger proportion of rental properties in Surrey being “under-developed” relative to the current zoning and which will result in greater re-development pressure. As a result, it is recommended that the City of Surrey adopt a zero rate of change policy or 1-for-1 replacement policy to prevent the loss of the existing rental housing stock.

Recommended Action 2:

ADOPT A TENANT PROTECTION POLICY THAT INCLUDES FINANCIAL MEASURES TO PROTECT TENANTS WHO MAY BE AT RISK OF LOSING THEIR HOUSING THROUGH REDEVELOPMENT PRESSURES OR THROUGH RENOVICTIONS.

British Columbia has a relatively modest form of rent regulation - one intended to provide basic protection to tenants living in rental housing while at the same time ensure that building owners and operators are able to realize a reasonable return on investment. For the most part, it appears that BC's system is working. Investment in rental housing assets is strong with landlords having the potential to "re-price" a unit upon turnover. At this time, some landlords feel that the current rent regulations limit their ability to undertake necessary repairs. As well, there are a growing number of cases where tenants are being evicted in order to allow landlords to make repairs and up-grades to their units. In some cases, these changes have been introduced as a way to circumvent the intent of the Province's rent control regulations. Furthermore, while for the most part, Surrey's system appears to be working there is potential that as the housing demand pressures continue to increase, there will be greater to put pressure placed on the existing rental housing stock. As a result, it is recommended that the City of Surrey consider the adoption of a Tenant Protection Policy that includes financial measures to protect tenants who may be at risk of losing their housing through redevelopment pressures or through renovictions.

Recommended Action 3:

EXPLORE POTENTIAL REGULATORY MEASURES AT THE PROVINCIAL LEVEL TO STRENGTHEN TENANT PROTECTION AROUND HEALTH, SAFETY AND DISCRIMINATION.

Some tenants have expressed concern about the quality and condition of their housing. At the same time, many of the issues that have been identified fall outside of the authority available to local government under their Standards of Maintenance Bylaws. In order to better protect existing tenants, it is recommended that the City of Surrey continue to look at measures to strengthen the enforcement of its current Standards of Maintenance Bylaw including exploring the development of a system to track the performance of current building owners (subject to privacy requirements).

The City should also look at possible changes to the current Provincial Legislation to strengthen current tenant protections around health, safety and discrimination. In particular, many of the rental housing units in Surrey are in the older buildings some of which appear to be in poorer condition. Tenants have both reported concerns about discrimination in terms of access to housing as well as concerns about their security of tenure. A number of tenants have also reported concerns about the overall quality and condition of their housing including concerns about mold, pests and bedbugs.

While many of the types of issues that have been identified currently fall outside of the scope of the existing landlord tenant regulations, they can have a significant impact on the overall quality of life and the health and well-being of the tenants who are facing these issues. Through the consultation process, we heard of instances where landlords and building operators were deferring necessary improvements and upgrades to their buildings citing lack of access to financing as a factor. Bluntly speaking, the condition of the housing finance system is not an excuse for poorly maintained buildings. Consequently, it is recommended that the City establish a system of monitoring tenant complaints as a way of helping to identify areas to strengthen the City's current enforcement strategies. As well, the City should advocate for changes at the Provincial level that will strengthen the current system of tenant protection especially as it relates to areas of health, safety and discrimination.

Recommended Action 4:

EXPLORE OPPORTUNITIES TO UPGRADE AND ENHANCE THE OVERALL ENERGY EFFICIENCY OF THE EXISTING RENTAL HOUSING STOCK.

Many older rental buildings have higher utility costs and would benefit from energy retrofit initiatives. Making investments or providing incentives to help reduce these costs would add to the overall energy and operating efficiency of these buildings and would result in lower operating costs. While the specific benefit of the different incentives would have to be modeled for the different buildings, both BC Hydro and the Province have been actively exploring ways to improve the overall energy efficiency of the existing housing stock. The City may wish to look at ways to take advantage of these different incentives as a way of supporting improvements in the existing rental housing stock and lowering the cost of utilities.

Recommended Action 5:

EXPLORE THE POSSIBILITY OF MAKING RENTAL HOUSING OPERATIONS EXEMPTED FROM THE PAYMENT OF GST.

Landlords have complained that the introduction of the GST has increased operating expenses for existing rental buildings and that it has created upward pressure on the rents. Under the current legislation, apartment owners are required to pay GST on all goods and services purchased and are unable to recover these costs. The industry estimates the GST/HST requirements have resulted in an increase in operating costs by 1.5% to 3%. If provisions were made to exempt rental housing operations from the payment of GST/HST (i.e., the introduction of zero-rating or the provision of a tax rebate), it would help to reduce some of the cost pressures on rents and could help to lead to improved affordability over the longer term as these costs would no longer be passed on to the tenants. This might be an area that the City of Surrey would like to explore with the Federal government as part of a broader package of incentives designed to encourage and stimulate new rental housing construction.

5.2 POLICY DIRECTION #2 – NEW RENTAL HOUSING SUPPLY

Recommended Action 1:

EXPLORE INCENTIVE-BASED APPROACHES TO ENCOURAGING NEW PURPOSE-BUILT RENTAL HOUSING UNITS INCLUDING THE USE OF POSSIBLE GRANTS OR INCENTIVES TO IMPROVE THE OVERALL AFFORDABILITY PROFILE.

As noted earlier in this report, the project economics of new rental housing construction can be challenging with most municipalities lacking the necessary financial resources or regulatory authority needed to address the full range of needs that they face. To a large extent, the City of Surrey has continued to demonstrate a strong commitment to

addressing the needs of all residents. This has included direct investments in increasing the supply of housing available to households at the lower end of the housing and income continuum as well as through the City's planning and regulatory processes as a means of enabling and encouraging new housing supply.

In order to continue to reduce the overall "financial feasibility gap" and improve the overall project economics for new rental housing construction, it is recommended that the City explore a mix of incentive-based approaches for encouraging new purpose-built rental housing including the use of possible grants or incentives to improve the overall affordability profile. In the case of Surrey, these measures could include:

- Waiving or reducing parking requirements in areas that are well-served by transit;
- Streamlining the development approvals process by automatic qualification for the City's Nexus processing program;
- Making City-land available at market or below market rates to support the development of affordable housing;
- Waiving or reducing the City's processing fees and/or providing a grant in lieu to cover Development Costs Charges with these types of measures being used to help to improve the overall cost profile of the housing that is created and facilitate and support the development of additional affordable rental housing units in Surrey.

Recommended Action 2:

WORK WITH OTHER LEVELS OF GOVERNMENT (FEDERAL AND PROVINCIAL) TO EXPLORE OPPORTUNITIES TO GO DEEPER ON THE AFFORDABILITY PROFILE AND/OR TO INCREASE THE NUMBER OF NEW RENTAL HOUSING UNITS CREATED.

In looking at the general project economics, it is recognized that most of the measures or actions available to local governments are not enough to meet the needs of low income renters without the support of other levels of government (Federal and Provincial). As part of the recent Federal budget (2016), the Federal government made a commitment to provide \$2.3 billion toward an Affordable Housing Investment Fund, \$2.5 billion toward an Affordable Rental Housing Financing Initiative and \$208 million toward an Affordable Rental Housing Innovation Fund. Budget 2017 included a number of additional announcements and targeted strategies including:

- Federal investments in the Affordable Housing Initiative (AHI) initiative, which includes funding that is targeted to building new affordable homes, renovating existing housing or improving housing affordability as well as supporting safe, independent living for seniors, people with disabilities and victims of family violence;
- *Seed Funding* for rental housing which includes contributions of up to \$50,000 and/or interest free loans of up to \$200,000 for developments that include 5 units or more of affordable housing;
- Federal Innovation Funding which includes \$200 million over 5 years to support innovative and unique ideas for increasing the supply of affordable rental housing stock;
- Rental Construction Financing that is available to municipalities, private sector developers and builders, social investment organizations and non-profit housing providers to support the construction of affordable rental housing across Canada. Under this program, CMHC is making \$2.5 billion available over 4 years in low cost loans to local government and housing providers with this funding to be used to facilitate and support the creation of new affordable rental housing units.

To access this, the Federal government housing programs has identified the following criteria:

- Rents must be at below market rates: Based on the program guidelines below market rates are defined as "the total rental income must be 10% below the potential rental income that could be generated based on an appraisal";
- The requirement that a percentage of units be set aside as affordable: Based on the program guidelines, CMHC has established the requirement that "20% of the units must have rents that are affordable to households at 30% of the median household income for the Census Metropolitan Area¹⁷"; and,

¹⁷ Based on the most recent income data available (CANSIM Table 111-0009) and as reported by CMHC the median household income for the Metro Vancouver region was \$76,000. Therefore 30% of the median household income is equal to approximately \$23,000.

- **Duration of affordability:** Based on the program guidelines, CMHE has established the requirement that “the housing must remain affordable for a minimum of 10 years”.

CMHC has also indicated that projects approved for this funding can include:

- Projects that are financially viable and/or that already have approvals under other government housing programs;
- Projects that are intended to increase the supply of affordable housing and that include some form of capital grant, concessions and/or expedited planning approvals where provisions are in place to preserve the affordability of the housing for at least 10 years;

It was noted that eligible project must meet CMHC’s minimum standards in terms of energy efficiency and accessibility. This means that eligible projects must:

- Achieve a minimum of a 15% decrease in energy use and greenhouse gas emissions; and,
- Include 10% of units that meet or exceed local accessibility requirements and/or the accessibility requirements as set out in the 2015 National Building Code.

5.3 POLICY DIRECTION #3 – ADDRESSING THE NEEDS OF LOW INCOME RENTERS

Recommended Action 1:

CONTINUE THE IMPLEMENTATION OF THE PROPOSED DIRECTIONS AND ACTIONS SET OUT IN THE CITY’S MASTER PLAN FOR HOUSING THE HOMELESS.

Homelessness continues to be one of the most pressing issues facing communities across Canada. The harsh effects of homelessness are experienced most directly and acutely by the families and individuals who are not securely or adequately housed, and for whom the experience of homelessness can be devastating. In addition to those who are homeless the housing and research literature also shows that there are many families and individuals who are precariously housed and who are at risk of becoming homeless. To help address these issues, the City adopted a *Master Plan for Housing the Homeless* in Surrey. Under this Plan the City identified the need for 340 new supported housing units and 110 new rent supplement units. Furthermore, while the City’s strategies have been effective under this Plan, the findings from the most recent homeless count suggest that homelessness continues to be a critical issue in Surrey as well as in other parts of the region concerted strategies and actions are needed across all levels of government.

Recommended Action 2:

CONTINUE TO WORK WITH BC HOUSING, CMHC AND OTHERS TO INCREASE THE INVENTORY OF NON- MARKET HOUSING UNITS IN SURREY.

The City of Surrey recognizes that rental housing plays a critical role in the continuum of housing choices in Surrey and that many low and middle income households are struggling to find housing that they can afford with the resources that they have available. It is also recognized that in the absence of a meaningful increase in the supply of new rental housing units including units that are affordable to households with low to moderate incomes the current affordability pressures are unlikely to improve. As noted earlier in the report that is a critical shortage of housing that is affordable to low income renters with 13,055 (31.7%) of all renter households in Surrey in falling into core housing need including 4,560 (34.9%) who were in need and spending at least 50% of their income on their housing costs.

In order to effectively address the diverse range of housing needs across Surrey, it is important for the City of Surrey to continue to work with other levels of government (Federal and Provincial) to explore opportunities to provide an expanded range of housing choices for low income renter households living. This would include continuing to work with BC Housing and others to increase the inventory of non- market housing stock. It also includes looking for opportunities to take advantage of the CMHC funding that is currently available under the mix of different housing programs and initiatives that were announced as part of the 2016 and 2017 Federal budget. As well, CMHC has noted priority will be given

to projects that go beyond the minimum standards. For affordability, this means going deeper in terms of the overall affordability profile of the housing that is created or in terms of the depth of needs that are addressed. Similarly, it could mean having a larger proportion of units in a given development as affordable and/or achieving better outcomes in terms of accessibility requirements. CMHC has also indicated that developments that are in good locations and that have close proximity to transit will be given priority as well as developments that are able to demonstrate strong and effective partnerships and collaboration including the support of other levels of government.

Recommended Action 3:

EXPLORE THE CREATION OF AN INCLUSIONARY HOUSING POLICY TO INCREASE THE SUPPLY OF AFFORDABLE RENTAL HOUSING UNITS FOR HOUSEHOLDS WITH LOW TO MODERATE INCOMES.

Some local governments have adopted inclusionary housing policies as a mean of increasing the supply of affordable housing in their communities. Applied correctly, these types of policies can have a significant benefit for local communities and neighbourhoods. The successful implementation of these policies typically requires the alignment of different types of incentives as a means of improving the overall project economics and securing additional affordable housing units.

Typically, inclusionary housing policies require that percentage of new units in any development must be sold or rented at below market rates. In some cases, local governments will also consider a cash-in-lieu contribution as an alternative. In the case of Surrey, the City might want to consider the following policy directions.

The City might also want to consider identifying specific housing priorities based on the housing continuum (non-market housing, low end of market rental housing and entry-level ownership) with first priority being given to units falling at the lower end of the continuum. As well, it will be beneficial to look for opportunities to align the City's policy with the current policy directions and affordability requirements outlined by CMHC as part of the current suite of policies that were announced. This type of strategy will help to leverage additional resources and optimize the types of outcomes that can be achieved. When looking to implement this policy, the City will have to look at the types of development incentives that are approach as well as identify specific strategies and priority groups for the investment of in-lieu contributions. In moving forward with this approach, the City might want to consider the following:

- (a) Encouraging mixed income projects that have a significant proportion of affordable rental units;
- (b) Requiring that any new multi-unit residential development or single family development that requires a re-zoning contribute \$750 per unit toward a fund that can be used to improve and/or address on-going housing affordability challenges.
- (c) Providing grants or incentives to support the creation of new affordable rental housing units by:
 - Waiving or reducing parking requirements in areas that are well-served by transit;
 - Streamlining the development approvals process by automatic qualification for the City's Nexus processing program;
 - Making City-land available at market or below market rates to support the development of affordable housing;
 - Waive or reduce City processing fees and/or provide a grant in lieu to cover Development Costs Charges as a means of improving the overall cost profile and facilitating and support the development of new affordable rental housing in the City.

This proposed policy approach also provides an opportunity to leverage additional resources through the types of strategies and housing investments announced by CMHC.

APPENDIX A

FIGURE A.1 THE CONTINUUM OF HOUSING CHOICES IN SURREY

Figure 2.1 shows the continuum of housing choices (ownership and rental) for Surrey by housing type, cost and income. It also includes information on the income needed for a household to be able to carry the cost of the housing at different income and price points.

Total Households: 152,850 (2011 Census and February 2017 MLS data)						
Total Owners: 111,660						Renters: 41,190
Income Distribution (\$)	Number of Households	Single Detached (50th percentile)	Townhouse (50th percentile)	2+ bedroom Condo (50th percentile)	2+ bedroom Condo (20th percentile)	Private Rental
Total	152,850	\$182,400				
\$125K+	28,905					
\$100K to 124,999	16,085					
\$80K to 99,999	18,165		\$99,960			
\$60K to 79,999	22,375			\$69,192	\$61,200	
\$50K to 59,999	12,185					
\$40K to 49,999	13,030					\$40,240
\$30K to 39,999	12,920					
\$20K to 29,999	11,495					
\$15K to 19,999	6,180					
\$10K to 14,999	4,140					
Under \$10K	7,360					
Housing Cost		\$1,198,000	\$608,900	\$389,000	\$299,900	\$1,006 / month

Assumptions: Calculation using MLS market data (February 2017) and based on a 25 year amortization period, 2.9% five year closed mortgage rate, with heating, property tax and condo fees included using CMHC mortgage affordability calculator. Down payments for condo attached and condo apartment units at the 20th percentile are set at 10% down, all others at 20%.



