Transit-Oriented Affordable Housing Study

Activity 1

Supply Gap Analysis, Environmental Scan, and Literature Review

BCNPHA
BC Non-Profit Housing Association

real estate foundation
BRITISH COLUMBIA

Contents

About the Transit-Oriented Affordable Housing Study

As Metro Vancouver grapples with the challenges of housing affordability, there is growing interest in finding ways to encourage and assist the construction of more purpose-built rental housing, especially in transit-oriented locations. The supply of new rental unit construction is not keeping pace with growth in the number of households looking to rent because there are financial challenges that limit the market's ability to develop new projects. The challenges are particularly acute in the delivery of rental units that are affordable to those with low and very low incomes.

In 2017, Metro Vancouver alongside strategic partners including BC Housing, TransLink, BC Non-Profit Housing Association and Vancity Credit Union, completed a study to expand the region's understanding of the constraints and opportunities related to building new rental housing, particularly housing affordable to low and very low income households in transit-oriented locations across the region. The study contributes to a broader set of policies and research undertaken by Metro Vancouver and other agencies to support affordable housing in the region.

BC Non-Profit Housing Association, with funding from Metro Vancouver and the Real Estate Foundation of BC, prepared an environmental scan of current and innovative practices in the region and abroad to broaden the understanding of what tools and approaches may be worth exploring to address the current and projected affordable rental housing supply gap.

Executive Summary and Key Findings

Activity 1 of the Transit-Oriented Affordable Housing (TOAH) study examines opportunities and barriers for promoting and preserving affordable rental housing options in transit-oriented locations throughout Metro Vancouver. Over the coming decades, two-thirds of the region's future residential growth is planned to occur around a network of Urban Centres and Frequent-Transit Development Areas. This research explores four interrelated questions to help inform how this future residential growth can be inclusive and equitable for renter households earning less than $50,000. The following is a summary of the four subcomponents that make up the research of Activity 1, as well as key findings from each section.

Section 1 - Supply Gap Analysis

The first section of the study examines rental housing demand and supply in Metro Vancouver to 2026 to quantify the affordable housing shortfall in the region for renter households earning less than $50,000. This section sets the context for understanding the region's need for affordable rental housing moving forward.

Key Findings:

- Demand for affordable rental housing is projected to increase by 34,700 units over the next 10 years, while supply for renter households earning less than $50,000 annually is projected to increase by just over 10,950 units.
- This results in a shortfall of 23,750 affordable units over the next 10 years for renter households earning less than $50,000.
- The shortfall is projected to impact very low-income renters (earning less than $30,000 annually) disproportionately, with a projected shortfall 18,500 units or 78 percent of the total shortfall.

Section 2 - Environmental Scan

Section 2 of the report is an environmental scan of recent policy initiatives and investments at the federal, provincial, and local levels for both affordable housing and public transit. The section provides context for understanding the current policy and funding environment required to facilitate more integration between housing and transit in Metro Vancouver.

Key Findings:

- Over the course of 2016 and 2017, federal and provincial governments have committed billions of dollars to the region for both affordable housing and public transit infrastructure over a variety of initiatives.
- At the same time, local governments in Metro Vancouver have been active in supporting the production of secured market rental through developing regulatory and fiscal incentive programs. Units produced through these programs, however, generally remain unaffordable for lower-income groups.

- While there are billions of dollars flowing into the region over the next 10 years for both housing and public transit, there is little coordination and alignment of this funding to help ensure the two are planned together and dollars are maximized.
- Linking federal and provincial funding to the existing initiatives at the local level can help ensure that low-income renter households have access to housing located near frequent transit.

Table 1 provides a summary of recent government resources and initiatives for both affordable rental housing and public transit.

Table 1 - Recent initiatives and investments for affordable rental housing and public transit

	Affordable Rental Housing Investments/Initiatives	Public Transit Investments/Initiatives
Federal	**Budget 2016** • $2.3 billion in affordable housing funds, distributed over various initiatives **Budget 2017** • $11.2 billion over 11 years for an affordable housing strategy **April 2017** • Affordable Rental Housing Financing Initiative	**Budget 2016** • $3.4 billion Public Transit Infrastructure Fund (PTIF), allocated over three years ($370 million for Metro Vancouver) • Commitments to fund 50% of new capital for public transit projects **Fall Economic Statement (2016)** • Canada Infrastructure Bank (~$5 billion for public transit projects) **Budget 2017** • $20.1 billion over 11 years for public transit infrastructure (PTIF Phase Two) • If cost matched, will result in $2.2 billion for Metro Vancouver
Provincial	**Budget 2016** • Provincial Investment in Affordable Housing program: $355 million over five years **September 2016** • Investment in Housing Innovation (IHI): $500 million for affordable rental housing **Budget 2017** • $208 million to create more than 1,700 new units of affordable rental housing • $472 million to provide an increase of $100 per month for income and disability assistance **Other initiatives** • Community Partnership Initiative • RAP and SAFER	**March 2016** • Provincial transit plan: *BC On the Move* • Commitment to fund 33% of new transit projects **May 2016** • $246 million to match 2016 federal budget investments

Local Government	Municipalities across the region developing programs of regulatory and fiscal incentives to promote secured market rental, such as: **Vancouver** • Rental 100 Program **New Westminster** • Secured Market Rental Program	**2015** • Mayors' Council on Regional Transportation: Regional Transportation Investment: a Vision for Metro Vancouver • Transportation and transit plebiscite: voters did not vote to support sales tax increase to fund transit expansion and increased service in the region **May 2016** • Update to Mayors' Vision based on full lifecycle costs (capital and operating) **November 2016** • Phase One of 10-year Vision **2016** • Metro Vancouver Regional District Board approves the Federal Gas Tax Expenditures Policy, setting out process for TransLink to apply for federal gas tax funding through the Greater Vancouver Regional Fund to fund public transit and local roads and bridges projects. Approximately $130 million plus indexing is transferred to the GVRF account every year.
Private	**New Market Funds** • Affordable Housing Fund provides equity capital to non-profit partners for affordable rental development **Vancity credit union** • Offer low-interest predevelopment funds for not-for-profit organizations looking to redevelop sites that qualify under certain restrictions	**N/A** **N/A**

Section 3 – Literature Review

The third section of the report is a literature review of policy tools and emerging practices that have been used to promote and preserve affordable rental housing in transit-oriented locations across the United States. The US literature on the topic shows that jurisdictions have implemented a variety of public policy tools to foster more equitable transit communities, and offers guidance on linking housing and transit more explicitly in policy and in funding decisions.

Key Findings:

- The success stories of preserving and promoting affordable rental housing near transit have relied on significant coordination and cooperation between a diverse set of public, non-profit, and private actors and agencies.

- Senior levels of government have the most impact for helping to facilitate affordable rental housing near transit through enacting policies such as:
    - Providing grant support to assist with developing area master plans and including low-income residents in station planning processes;
    - Adapting affordable housing programs to prioritize program dollars for projects located close to public transit;
    - Adapting transit programs so that affordable housing policies are tied to the transit funding process;
    - Providing stable, predictable and reliable funding and financing sources.
- Local governments have experimented with a range of regulatory and fiscal tools that help to incentivize and preserve affordable rental housing in transit-oriented locations. These tools are most effective when paired with funding from senior levels of government. Local tools include but are not limited to:
    - Offering public land for development;
    - Developing opportunity site inventories;
    - Creating transit-oriented structured funds that provide loans for activities like site acquisition, predevelopment, and construction;
    - Tax-increment financing zones to leverage funds for affordable housing;
    - Transit-oriented inclusionary zoning;
    - Joint development on land owned by transit agencies;
    - Bond financing;
    - Density bonusing;
    - Parking reduction;
    - Fee waivers and expedited processing times;
    - Community land trusts.

Table 2 provides a summary of each of the tools identified in the literature review, their effectiveness, and what type of rental housing they promote or preserve.

Table 2 - Summary of policy tools and emerging practices identified in literature

Tool	Examples	Jurisdiction	Effectiveness in transit-oriented locations	Market rental, affordable rental or both
Improving coordination	-Sustainable Communities Initiative	Mix	High	Both
Adapting housing programs	-Qualified Allocation Plans in the Low-Income Housing Tax Credit program	Senior government	High	Affordable
Adapting transit programs	-Land use coordination points in the New Starts Program	Senior government	High	Both
Stable, long-term predictable funding and financing	-Low-Income Housing Tax Credit program -HOME Investment Partnership program	Senior government	High	Affordable

Public land	-Alameda County, California -King County, Washington -LA Metro joint development policy	Senior, local government	High	Affordable
Opportunity sites inventory	-The Association of Bay Area Governments Opportunity Sites Inventory -City of Portland opportunity sites inventory	Local, regional governments	Low	Affordable
Transit-oriented structured funds	-San Francisco Bay Area Transit-Oriented Affordable Housing (TOAH) Fund -Denver Regional TOD Fund	Local government, transit agencies, non-profits	Medium	Affordable
Tax-increment Financing	-City of Portland Pearl District -The City of Atlanta Beltline Allocation District	Local government	Medium	Affordable
Transit-oriented inclusionary zoning	-Massachusetts Smart Growth Zoning Overlay District Act -Tysons inclusionary zoning in Fairfax County, Virginia	Local government	Medium	Affordable
Joint development	-Metropolitan Rapid Transit Authority (MARTA) joint development policy (Atlanta) -Los Angeles County Metropolitan Transportation Authority (Metro) joint development policy	Local government, transit agencies, non-profits	Medium	Affordable
Bond financing	-Proposition 1C (California) -City of Austin bond issue	Senior, local government	Medium	Affordable
Density bonusing	-The City of Denver	Local government	Medium	Both
Parking reduction	-City of Portland	Local government	High	Both
Community land trusts	-Atlanta Land Trust Collaborative (ALTC) -Urban Land Conservancy (Denver)	Non-profit	Medium	Affordable

Section 4 – Tools in a Metro Vancouver Context

The fourth section of the study assesses whether the initiatives and tools identified in the literature review exist in Metro Vancouver, and identifies various barriers and opportunities to implement and replicate the tools that do not presently exist. The analysis was based on interviews with 11 stakeholders from a wide variety of organizations.

Key Findings:

- There are already a range of policy tools in the Metro Vancouver context, but these are frequently not being used on a region-wide basis. More effort is required to ensure that there is a consistent, regional approach to affordable housing incentives in transit-oriented locations.

The policy tools currently in existence in Metro Vancouver, as well as participant comments about them are summarized in Table 3 below:

Table 3 - Tools in existence in Metro Vancouver

Measure	Currently used in Metro Vancouver?	Participant Comments
Adapt affordable housing programs	Yes	• BC Housing factors in transit locations in funding decisions through a points-based criterion for the Investment in Affordable Housing (IAH), Provincial Investment in Affordable Housing (PIAH), and Investment in Housing Innovation (IHI) programs. • CMHC also incorporates transit location in funding decisions, such as through the Rental Housing Construction Financing Initiative.
Supply-side housing programs	Yes, but not ongoing	• While seen as a highly effective tool, supply side programs are usually one-time injections or short-term in nature (e.g. PIAH, IHI). • Need for long-term, predictable and stable sources of funding and financing.
Public land	Yes	• Land leases seen as an effective tool in promoting affordable development. • Various municipalities lease land to affordable housing developers (e.g. City of Vancouver). • There is a need to leverage provincial and federal surplus lands.
Transit-oriented parking reductions	Yes	• Viewed as one of the most effective municipal tools by study participants. • City of New Westminster under Secured Market Rental Program seen as important precedent for the region.

Density bonusing	Yes	• Seen as a highly effective tool, when paired with policies like inclusionary zoning. • Suggested that in developments close to transit, developers should be mandated to construct affordable rental units rather than providing cash-in-lieu contributions.
Expedited processing times and fee waivers	Yes	• Used in various municipalities in Metro Vancouver. • Unlikely to promote affordability by themselves, but complement other tools.
Land trusts	Yes	• Non-profits and cooperative housing societies have land in transit-rich communities and appetite to have it managed with a portfolio approach. • Seen as having potential to facilitate more affordable housing in transit-oriented locations.

- More research is required for the feasibility and desirability of each tool, participants thought that these tools could work well in a Metro Vancouver context:

    - Adapting federal transit programs to ensure affordable housing policies are tied to the transit funding process;
    - Grants to facilitate coordination and cooperation among local stakeholders;
    - A TOD structured fund;
    - Transit-oriented inclusionary zoning.

- Interviewees noted that there are various complexities surrounding the following tools, but that they could also be further explored:

    - Tax-increment financing
    - Joint development
    - Bond financing

Table 4 provides a summary of the tools not in existence in Metro Vancouver, as well as participant comments on each of them:

Table 4 - Table of tools not in existence in Metro Vancouver

Measure	Currently used in Metro Vancouver?	Participant comments
Adapt federal transit programs and investments to ensure integration	No	• Participants identified need for a policy framework that would tie conditions to transit funding to promote land-use goals around station areas. • Current bi-lateral PTIF agreement does not provide for land use integration, which requires federal and provincial leadership.

Grants to facilitate coordination and cooperation	No	• Could be an effective tool to facilitate planning and research with local stakeholders, leading to defined plans for preservation and promotion of affordable housing stock near transit areas.
TOD structured funds	No	• Need patient capital for financing activities like site acquisition, as current programs do not cover this activity. • Recent private sector initiatives, such as the Affordable Rental Housing Fund by New Market Funds and Vancity's predevelopment funds, show there is appetite among investors and private sector participants to provide patient equity and capital, and for innovative policy tools such as a structured funds. • Interest in exploring this measure further.
Tax-increment financing (TIF)	No	• Requires legislative change for local governments to adopt this tool, which may be a long and difficult process. • Regional policy discussions of TIF have been focused mostly around the funding of public transit infrastructure. Consideration would have to be given to how TIF could also support affordable housing goals in transit-oriented locations. • Works in high-growth areas and could be effective in various Metro Vancouver municipalities.
Transit-oriented inclusionary zoning	Partial	• Inclusionary zoning used by various municipalities across Metro, but not uniformly applied along transit corridors or transit hubs
Joint development on transit properties combined with inclusionary housing policy	No	• TransLink to sell surplus lands to fund transit expansion. Many of its land holdings are held by statutory right of way, limiting allowable density. • Potential for land leases on agency owned land held in freehold. • Potential for consideration of inclusionary housing policies or targets in joint development
Bond financing	No	• Not a common tool for funding affordable housing in Canadian jurisdictions. • Rental housing advocates developed a federal proposal for an affordable housing bond issue in 2014. Traction for the proposal has since subsided.

Introduction

This report examines opportunities and barriers to preserve and expand affordable rental housing[1] options in transit-oriented locations across Metro Vancouver. The context for this research is set out in three regional planning initiatives. First, the regional growth strategy, *Metro Vancouver 2040: Shaping our Future* (*Metro 2040*), provides an overarching framework for growth management in the region, including integrating municipal and regional land use and transportation planning. The strategy directs two-thirds of the region's future residential growth to a network of Urban Centres and Frequent Transit Development Areas, aiming to create complete, compact, walkable, and sustainable communities that are accessible to a range of income groups. Second, Metro Vancouver's 2016 *Regional Affordable Housing Strategy* (RAHS) identifies meeting rental housing demand estimates for households earning less than $50,000 per year as well as increasing the rental supply along the Frequent Transit Network (FTN) as Goal 4.[2] Third, TransLink's Regional Transportation Strategy (2013) includes a specific action for TransLink to work with partners to encourage affordable rental housing along the Frequent Transit Network.

While transit-oriented growth is identified as a main priority in *Metro 2040* as well as in other regional planning initiatives, this form of development can also pose challenges for households making less than $50,000 annually. Not only are new residential projects being built that are not affordable for lower-income households, but escalating land values around transit development areas can foster gentrification and demolition of existing rental stock that may displace these groups (Pollack et al., 2010; Jones, 2015; Jones and Ley, 2016). Heightening the case for more affordable rental housing options in transit-oriented locations is that renter households, in particular households making less than $50,000, generate higher rates of transit commute trips in comparison to owner households.[3]

To ensure that future transit-oriented growth in the region is socially inclusive and equitable, this research examines barriers and opportunities to promote and preserve affordable rental housing options in transit-oriented locations. The report is laid out in four sections:

1. Section 1 examines the scope and scale of the affordable rental housing shortfall in Metro Vancouver for renter households earning less than $50,000 annually, through the development of a gap analysis of projected demand and supply over the next 10 years.

2. Section 2 of the report provides an environmental scan that assesses present resources and initiatives at the federal, provincial, and local level available for integrating affordable rental housing and transit.

[1] For the purposes of this report, "affordable rental housing" is defined as housing with rents that are affordable to households making less than $50,000 per year in Metro Vancouver (i.e., rents up to $1,250 per month, based on the 30% of gross income threshold).
[2] As explained in the RAHS (2016), "The Frequent Transit Network is the region's network of corridors where transit service runs at least every 15 minutes in both directions throughout the day and into the evening, every day of the week. Rapid transit Frequent Transit Network operates in an exclusive right of way and is typically rail (though can be bus), whereas non-rapid transit Frequent Transit Network (typically bus) operates in mixed traffic."
[3] For more details on the relationship between transit usage, income, and tenure, please refer to Report 5.4: http://www.metrovancouver.org/boards/RegionalPlanning/Regional_Planning_Committee_Revised_Agenda-2016_Sep_9.pdf .

3. Section 3 reviews the US literature for emerging practices and policy tools that have been identified as important for promoting and preserving affordable rental housing in transit-oriented locations.

4. Section 4 relies on participant interviews to examine which tools identified in the literature review have been adopted in Metro Vancouver as well as identify various barriers and opportunities to implement and replicate tools that do not presently exist.

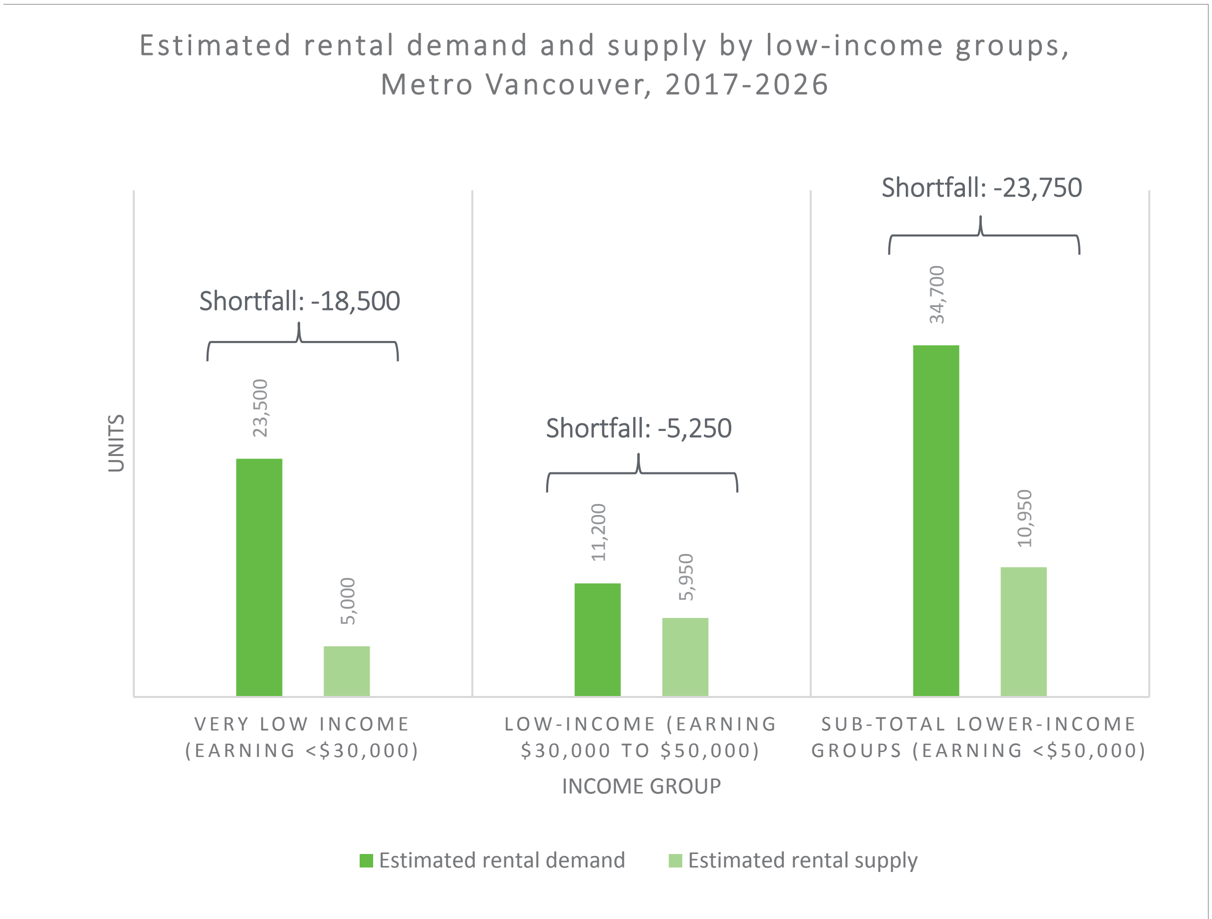
Section 1 – Supply Gap Analysis

The 2016 *Regional Affordable Housing Strategy* developed a supply gap analysis that estimated rental housing demand and supply between 2011 and 2014 for five income groupings. The income groupings were defined in relation to regional median household income (RMHI), with very low-income households defined as earning less than $30,000 (<50% of RMHI); low-income households earning between $30,000 and $50,000 (50-80% of RHMI); moderate income households earning $50,000 to $75,000; above moderate earning between $75,000 to $100,000; and high-income households earning more than $100,000. The resulting analysis found that rental supply fell short by 1,600 units over that period, with half to two-thirds of the shortfall existing for households earning below $50,000 annually.

While the analysis presented in the RAHS is useful for determining the existing supply gap, this section takes the analysis one step further and estimates demand and supply for rental housing for low-income groups to 2026. Details on the methodology can be found in Appendix A below.

Based on the assumptions of the analysis, the results show that affordable rental housing demand is projected to increase by 34,700 units over the next 10 years, while supply for lower-income groups is projected to increase by only 10,950 units. This results in a shortfall of 23,750 affordable units over the next 10 years for renter households earning less than $50,000. The shortfall is projected to negatively affect very low-income renters (earning less than $30,000) most, with a projected shortfall of 18,500 units and accounting for 78% of the total shortfall.[4] It should be noted that while this analysis provides a regional picture, the demand and supply scenario in each municipality will be different.

[4] Rent supplements provided by the provincial government help to make rental housing more affordable for these very low-income households and were thereby factored into the analysis. When factoring in rent supplements through the Rental Assistance Program (RAP) and Shelter Aid for Elderly Renters (SAFER) program, the supply gap for lower-income renter households narrows from 23,750 units to 16,650 units.



Assuming past trends hold, Metro Vancouver is projected to have a significant shortfall of rental housing that is affordable for households earning less than $50,000. Fortunately, recent investments in affordable housing and public transit, along with municipal policy interventions, can help ensure that the projected shortfall of affordable rental housing is met through supply and preservation measures in transit-rich communities. By planning housing and transit together, this can help lower overall household cost burdens for renter households.

Section 2 – Environmental Scan

The supply analysis presented in Section 1 provides context into the scope and scale of the affordable housing shortfall in Metro Vancouver for renter households earning below $50,000 per year. This section provides an environmental scan of recent housing and public transit initiatives and investments by the federal, provincial, and local level levels of government as well as new initiatives by the private sector. This section frames the overall context of available resources to help facilitate greater integration of affordable housing and public transit in Metro Vancouver.

Coordinating land use and transportation is a priority of local and regional planning in Metro Vancouver. The *Metro 2040* regional growth strategy, *Regional Affordable Housing Strategy, Regional Transportation Strategy,* and Mayors' Council *10-Year Vision* all reference the need to align growth and transportation investments.

Throughout 2016 and 2017, billions of dollars have been allocated to Metro Vancouver for both affordable housing and public transit infrastructure over the next decade. While all levels of government are at the table for the funding of both affordable housing and public transit, there remains little coordination and alignment of this funding to help ensure that the two are integrated in practice. This section of the report reviews these new funding initiatives, and Section 3 examines current and emerging practices and tools for promoting and preserving affordable housing in transit-oriented locations, which provides guidance on linking housing and transit more explicitly in policy and in funding decisions.

Recent government initiatives for affordable housing and public transit

As demonstrated in Table 5 below, there has been a range of new investments and initiatives for both affordable rental housing and public transit over the last three years at the federal, provincial, and local level. While this section provides a broad overview of the most important initiatives, a more detailed discussion of these initiatives can be found in Appendix B.

Federal housing and transit investments

Federally, Budget 2016 and 2017 committed significant resources for both affordable rental housing and public transit. On the housing side, Budget 2016 allocated $2.3 billion over two years for a range of initiatives related to new rental construction, rehabilitation of existing stock, and homelessness. Budget 2017 committed another $11.2 billion over 11 years for the development and implementation of a National Housing Strategy. Included in this funding was the creation of a new $5-billion National Housing Fund, a new provincial/federal/territorial investment framework, support for homelessness, and new investments for northern and indigenous housing.

On the transit side, Budget 2016 and 2017 rolled out Phase One and Two of the Public Transit Infrastructure Fund (PTIF), a new initiative aimed at increasing federal participation in public transit infrastructure funding. Phase 1 of the PTIF was rolled out in Budget 2016, which ultimately contributed $370 million to Metro Vancouver to purchase new transit vehicles advance planning for rapid transit lines in Surrey and along the Broadway Corridor. Budget 2016 also altered the federal funding formula for the funding of new capital expenditures related to public transit projects, increasing the federal share from 33 percent to 50 percent. In Budget 2017, Phase Two of the PTIF program was announced, which will ultimately provide $2.2 billion in cost-matched funds to Metro Vancouver over the next 10 years to fund capital expenditures related to Surrey and Broadway line extensions, and other regional initiatives.

In addition, the federal government's Fall Economic Statement in October of 2016 announced the development of the Canada Infrastructure Bank. Through leveraging public dollars with private ones, the Bank seeks to contribute roughly $5 billion to public transit projects across the country over the next 10 years.

Provincial housing and transit investments and initiatives

Recent affordable rental housing investments over the course of 2016 and 2017 have committed over a billion dollars for new projects across the province. The Provincial Investment in Affordable Housing program (PIAH) announced in Budget 2016 allocated $355 million over five years, while the Investment in Housing Innovation (IHI) program provided $500 million for affordable rental housing projects. As of May 2017, all the funding for both programs has been fully allocated.

In September of 2017, the provincial government released the *Budget 2017 Update* that committed $670 million to affordable housing and homelessness initiatives. This included $208 million to fund the creation of 1,700 new affordable rental units, as well as $461 million to develop 2000 modular homes with support services over the next three years. Further, the *Update* provided for $472 million for an increase of $100 per month for each of income and disability assistance, which increases the incomes of low-income renters.

On the transit side, the provincial government has remained committed to funding capital expenditures for new transit and transportation projects. In May of 2016 the provincial government announced $246 million (33 percent) in capital funding to match the initial commitments for Metro Vancouver under Phase One of the PTIF.

Local housing and transit investments and initiatives

At the local level, municipalities across Metro Vancouver have been active in creating incentive programs and regulatory frameworks to stimulate rental housing production. For municipalities that have engaged in such municipal incentives, some success has been achieved in creating new purpose built or secured market rental. At the same time, the market rental being developed is not always affordable to households earning less than $50,000 annually.

Prior to the 2015 Metro Vancouver transportation and transit plebiscite[5], the Mayors' Council on Regional Transportation was directed by the provincial government to develop a detailed, fully costed plan for transit investments. Subsequently, the Mayors' Council released the report *Regional Transportation Investment: a Vision for Metro Vancouver* (10-Year Vision). The 10-Year Vision provides details on new capital investment and expansion of operating services for transit and transportation

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[5] In order to address persistent underfunding for transit in Metro Vancouver, a plebiscite was conducted in May of 2015 to increase sales tax by 0.5% in the region in order to provide a consistent and stable funding source for transit. The plebiscite was defeated.

over a 10-year period to meet the region's needs. In November of 2016, the Mayors' Council approved Phase One of the 10-Year Vision to leverage federal PTIF and provincial contributions with regional funding to expand transit and transportation. Numerous policies have been proposed to fund the regional share, such as the introduction of mobility pricing, a small fare increase, sale of surplus TransLink land, adjustment to existing TransLink property tax, allocation of the region's federal Gas Tax Fund, and a new regional development cost charge.

Private sector initiatives to fund affordable housing

Recently, private sector participants have entered the funding and financing of affordable housing through impact investments, creating a source of funds outside traditional government ones. Two recent initiatives include New Market Funds, as well as Vancity's predevelopment funds. New Market Funds is a private equity firm and is a particular example of private sector participation in the funding of affordable housing, through the creation of its Affordable Rental Housing Fund. In a unique partnership, New Market Funds provided an $11-million equity contribution through its Affordable Rental Housing Fund to the Vancouver Land Trust Foundation to help create 358 affordable units in Vancouver's River District. This private equity contribution was sourced from 13 private investors (primarily foundations).[6] After the project's revenues stabilize after eight years, the equity will be bought out providing an approximately 7 percent rate of return on the initial investment. While the fund is the first of its kind in Canada, this development indicates an increased desire from the private sector to fund affordable housing development through market-return equity investments.

Vancity credit union also offers low-interest predevelopment funds to assist not-for-profit organizations such as churches and non-profit housing providers with the redevelopment of existing sites of/with affordable housing. The loans offered through the program range between $50,000 and $200,000 and can be used for a variety of costs related to the early stage of development such as feasibility studies, architectural drawings, site assessment, and planning. The funds are structured to be patient and paid back once other construction financing or capital is in place for the project.

Table 5 below summarizes the new investments that government and the private sector have committed for affordable rental housing and public transit and transportation over the last three years. Over the coming decade, much of this funding will be invested in communities across Metro Vancouver to improve affordable rental housing and public transportation options. Creating more integration between these two policy areas will help ensure that low-income renters have access to communities that have both accessible transit and affordable housing. Given that low-income renters are more likely to rely on public transit as their primary mode of transportation, it is important to ensure that affordable housing is located near transit so as to reduce potential social isolation, increase access to economic and educational opportunities, and help drive transit ridership.

[6] Investors into the fund receive a slightly below market rate of return on the project, and their equity stake is bought out after eight years of the project running.

Table 5 – Recent initiatives and investments for affordable rental housing and public transit

	Affordable Rental Housing Investments/Initiatives	Public Transit Investments/Initiatives
Federal	**Budget 2016** • $2.3 billion in affordable housing funds, distributed over various initiatives **Budget 2017** • $11.2 billion over 11 years for an affordable housing strategy **April 2017** • Affordable Rental Housing Financing Initiative	**Budget 2016** • $3.4 billion Public Transit Infrastructure Fund (PTIF), allocated over three years ($370 million for Metro Vancouver) • Commitments to fund 50% of new capital for public transit projects **Fall Economic Statement (2016)** • Canada Infrastructure Bank (~$5 billion for public transit projects) **Budget 2017** • $20.1 billion over 11 years for public transit infrastructure (PTIF Phase Two) • If cost matched, will result in $2.2 billion for Metro Vancouver
Provincial	**Budget 2016** • Provincial Investment in Affordable Housing program: $355 million over five years **September 2016** • Investment in Housing Innovation (IHI): $500 million for affordable rental housing **Budget 2017** • $208 million to create more than 1,700 new units of affordable rental housing • $472 million to provide an increase of $100 per month for income and disability assistance **Other initiatives** • Community Partnership Initiative • RAP and SAFER	**March 2016** • Provincial transit plan: *BC On the Move* • Commitment to fund 33% of new transit projects **May 2016** • $246 million to match 2016 federal budget investments
Local Government	Municipalities across the region developing programs of regulatory and fiscal incentives to promote secured market rental, such as: **Vancouver** • Rental 100 Program **New Westminster** • Secured Market Rental Program	**2015** • Mayors' Council on Regional Transportation: Regional Transportation Investment: a Vision for Metro Vancouver • Transportation and transit plebiscite: voters did not vote to support sales tax increase to fund transit expansion and increased service in the region

		May 2016 • Update to Mayors' Vision based on full lifecycle costs (capital and operating) **November 2016** • Phase One of 10-year Vision **2016** • Metro Vancouver Regional District Board approves the Federal Gas Tax Expenditures Policy, setting out process for TransLink to apply for federal gas tax funding through the Greater Vancouver Regional Fund to fund public transit and local roads and bridges projects. Approximately $130 million plus indexing is transferred to the GVRF account every year.
Private	**New Market Funds** • Affordable Housing Fund provides equity capital to non-profit partners for affordable rental development **Vancity credit union** • Offer low-interest predevelopment funds for not-for-profit organizations looking to redevelop sites that qualify under certain restrictions	**N/A** **N/A**

Section 3 – Review of Current Practices in the US

Introduction

The need for public policy intervention to increase and preserve affordable housing near transit is becoming widely recognized. While transit-oriented development (TOD) has been a major focus of transportation planning literature in the United States for more than two decades, recent attention has been drawn to the concept of "Equitable Transit-Oriented Development." Equitable TOD (e-TOD) prioritizes social equity for low-income households, ensuring they have access to affordable housing, amenity, and employment opportunities near TOD sites. There is now a growing body of literature that considers these concerns and examines the emerging practices for developing and sustaining affordable housing in transit-oriented locations (Belzer and Autler, 2002; Haughey and Sheriff, 2010; Feldman, Lewis, and Schiff, 2013; Welch, 2013; Pollack and Prater, 2013; Nedwick and Burnett, 2013; Bross, 2014; CNT, 2014; Kniech and Pollack, 2009; Guthrie and Fan, 2015; Zuk and Carlton, 2015; Dawkins and Moeckel, 2016). This literature demonstrates that there is a variety of policy and planning interventions that can be adopted to help ensure that equity concerns are balanced with economic and environmental goals of transit-oriented development. This section of the report will review this literature for policy learnings and tools that can be used to complement the affordable housing and transit funding outlined above.

3.a. Improving coordination

TOD development is a complex and difficult process that involves many interrelated interactions between the built environment, economic conditions, and public interventions (Bross, 2014; Schuetz et al, 2016). The success stories of integrating and preserving affordable rental housing near transit have relied on coordination and cooperation of a diverse set of actors and agencies using specific interventions at different times during the development process (Quigley, 2010; Pollack and Prater, 2013; Bross, 2014; Hersey and Pollack, 2015). Various partners have been identified as having a role in improving coordination and creating partnerships, as the following sections will describe.

Federal and state

Federal and state governments in the US have provided resources to better integrate housing and transportation policy (Srivastava et al, 2010; Goetz, 2015). Under the Obama administration, the Office of Sustainable Communities was developed with the intent of "helping communities create master plans [led] by local stakeholders to better meet their housing, transportation, and environmental goals" (HUD 2012: 1). As part of this work, the Office created a Sustainable Communities Resource Center to develop and promote cross-agency information on current practices to help integrate housing, transportation, and infrastructure (HUD, 2012). This includes publications and reports such as *Myths and Facts* about mixed-income housing and smart growth, housing and transportation cost burden studies, toolkits such as *Ten Principles of Successful Development Around Transit* as well as various other educational initiatives.[7] The Center also provides training to organizations and communities to ensure emerging practices are adopted. These educational initiatives establish federal leadership and help to build

[7] These materials are sourced from the Sustainable Communities Resource Center "Housing and Transportation Choice" found at: http://archives.huduser.gov/scrc/sustainability/resources_housing_sustainability.html

capacity at other levels of government to ensure that there is a shared understanding of the benefits of planning housing and transportation together.

The Sustainable Communities Initiative (SCI) was also developed as a partnership between the US Department of Housing and Urban Development (HUD), the Environmental Protection Agency, and the Department of Transportation with the aim of supporting coordination among housing, urban development, and transportation investments in regional planning and development efforts (Goetz, 2015; Pollack and Prater 2013).The SCI developed a grant program that allocated $167 million over 2010 and 2011 with the primary goal of coordinating housing and transportation policy (Goetz, 2015). These grants were used for coordination efforts among regional and local actors. For instance, the Puget Sound Regional Council used a $5-million grant to build a consortium of partners (cities, counties, public, private and non-profit agencies) and bring them together to create the Growing Transit Communities (GTC) project (HUD, 2014). The project studied more than 74 separate transit stations across the Puget Sound region and provides locally unique strategies and policies for how different actors can help create equitable developments in these areas (PSRC, 2014). Through the GTC project $450,000 in grants were also distributed to community-based organizations so that they could participate in planning decisions for the first time (GTC, 2014). The strategy guiding the GTC focuses heavily on affordable housing, with eight of its 25 recommendations dealing explicitly with affordable housing provision.[8] These federal grants were crucial for developing plans that were sensitive to local conditions, as well as bringing together partners into the planning process that otherwise would not have been consulted (Ibid). Federal and state grants then can assist with capacity building, planning, and coordination at the regional and local level.

Coordination at the local and regional level

In addition to coordination efforts at the federal level, research has shown the importance of regional and local stakeholders cooperating to ensure transit-oriented areas are planned with affordable housing in mind. Emerging practice has suggested that there needs to be a "quarterback" agency with regional presence that can be accountable for the coordination effort (Pollack and Prater, 2013). Typically community-based organizations or transit agencies have been the leaders facilitating the coordination effort.

Community-based organizations such as non-profits, faith-based groups, and community development organizations have been shown to foster greater regional coordination through mitigating community opposition to densification around transit areas, as well as advocating for inclusion of low-income housing in transit developments. Common practice has focused on community outreach and education

[8] The Strategies to Provide Affordable Housing Choices recommend actions to define and quantify housing needs, preserve existing affordable housing and supply new housing choices, and capitalize on the value created by the private market — enhanced by transit investments — in order to achieve the broadest range of affordability in transit communities. 11. Assess current and future housing needs in transit communities.
12. Minimize displacement through preservation and replacement. 13. Increase housing support transit-dependent populations.
14. Implement a TOD property acquisition fund.
15. Expand value capture financing as a tool for infrastructure and affordable housing.
16. Make surplus public lands available for affordable housing.
17. Leverage market value through incentives.
18. Implement regional fair housing assessment.

that use engagement tools such as brochures, activities, PowerPoint presentations, and other educational material (Machell et al. 2009). In a review of these toolkits, Machell et al. (2009) found that they are most successful when they can create trust and credibility among participants, humanize the message of who the development is benefiting, and are respectful of community preferences and particularities through elements such as building design.

In addition to providing effective outreach and educational material, engaging communities in the development process is an important practice. A good example of this process was the Corridor Housing Initiative as part of the Twin Cities' Hiawatha Line in Minnesota. The Initiative was started by the Center for Neighborhoods and brought communities, developers, and governments together to share information, build relationships, and develop guidelines about future development near transit to mitigate community fears about redevelopment and densification (Forsyth et al, 2010). The Initiative created steering committees for each station area, comprised of critical stakeholders in the community who synthesized issues of each station area and created a communications and outreach strategy. The steering committee then engaged with the community at various outreach events and panels to build public participation into the planning process. This process was key to mitigating public opposition to transit-friendly, mixed-use development around station areas (Ibid).

Other stakeholder coalition groups have proven to be successful in advocating for inclusion of equity-related issues in transportation developments. Examples of these groups include the Redline Community Compact in Baltimore, Mile High Connects in Denver, the Purple Line Corridor Coalition in Maryland, the Great Communities Collaborative in San Francisco, and the Growing Transit Communities Partnership in Puget Sound.

The literature has suggested that transit agencies also have a lead role in urging cities and regional agencies to create TOD-supportive regulatory frameworks and land use policies (Srivastava et al, 2010). For instance, in their review of equitable TOD in the US, Nedwick and Burnett (2014) note that "coordination across housing and transit agencies has helped overcome some of the barriers to developing affordable housing near transit" (2014: 126). They go on to note that the housing agencies of several states are in regular contact with their transit agencies to ensure they understand where new transit investments are being made so that affordable housing goals can be included in station area plans. Similarly, Quigley notes that "coordination between transit and housing agencies and regional planning organizations can increase the production and preservation of affordable housing" (2010: 7). Similarly, Pollack and Prater (2013) note that success for advancing equitable TOD has resulted from convincing regional transit authorities and regional planning bodies to have a stake in equitable development. For transit agencies, it supports their missions of increasing transit ridership and decreasing environmental impacts such as emissions (Zuk and Carlton, 2015).

One example of transit agencies taking on an improved coordination role is Capital Metro agency in Austin, Texas, which developed a Transit-Friendly Development Guide that provides the real estate development industry guidelines for creating transit-friendly developments (Hersey and Spotts, 2015). In the San Francisco Bay Area, the Metropolitan Transportation Commission has been a leader in developing a Transit-Oriented Affordable Housing Fund (see section 3C).

3.b. Policy tools - senior levels of government

Emerging practice and policy learning from the literature demonstrates that senior levels of government have an important role in providing support for the development and preservation of affordable rental housing in transit-oriented locations. This section will discuss some of these initiatives.

Adapting affordable housing programs

Federal and state affordable housing programs can be better adapted to increase incentives for locating projects in transit-oriented locations. In the US, the main lever for affordable housing development is the Low-Income Housing Tax Credit (LIHTC) program, created in 1986 by the US Congress. Nearly 90 percent of all affordable rental housing in the US is funded in part by this program. Private investors who contribute equity to the development of new or rehabilitated affordable rental housing for low income families receive a dollar-to-dollar reduction in their federal income taxes. The federal government provides up to $500 million in tax credits annually, which are in turn allocated to the states on a per capita basis. State agencies create point-based plans (Qualified Allocation Plans or QAPs) for the allocation of credits toward projects. Developers then submit proposals for access to credits, which are vetted by state agencies for best fit to their QAPs. As of 2013, 35 states in the US provided additional points to projects that are close to transit, a doubling from 17 states in 2003 (Nedwick and Burnett,2014). In a review of the LITHC in creating affordable housing near transit, Nedwick and Burnett (2014) found an increased probability of housing to be located near transit in states with points for location.

Other jurisdictions have also included transit-location as a criterion in their funding programs. In Australia, the National Rental Affordability Scheme introduced tax incentives to stimulate private and non-profit investment into middle-income rental housing. Although the program was canceled in 2014, rigorous selection criteria were applied to proposals, which prioritized areas that have an undersupply of affordable accommodation and that are located near amenities like public transportation, employment hubs, schools, and shopping (Whitzsman, 2015).

Adapting transit programs

Federal and state governments are also important funders of public transit programs, which can be adapted to foster more integrated land use and to meet affordable housing goals. In the US, the Federal Transit Agency's (FTA) New Starts program[9] is the main funding mechanism for public transit projects, allocating approximately $2 billion annually (Zuk and Carlton, 2015). In 2010, the FTA began to restructure the program's evaluation and rating system to ensure that various benefits of transit investments were recognized (Hersey, 2015). In 2012, the program was altered to explicitly recognize affordable housing as a component of the transit funding evaluation process. For applications to the program, land use coordination represents one-twelfth of the score of the proposal. In 2013, the FTA also adopted guidelines to incorporate metrics that consider the use of tools to preserve and expand affordable housing near transit (Ibid, 2015). Hersey suggests that these changes represent "a significant

[9] Sometimes referred to as the Capital Investment Grant (CIG) program.

breakthrough" as they create a precedent for future integration of housing and transit funding (2015:11).

Senior government funding for affordable housing and transit

Senior levels of government have a foundational role in developing steady, reliable, and permanent funding and financing tools to support affordable housing developers (Quigley, 2010; Walks, 2006). It is widely recognized that public funding and financing mechanisms are the most effective mechanisms for stimulating the development and preservation of affordable housing, but the general trend in OECD countries over the last 30 years has been a decline in social infrastructure funding (Chan et al, 2009; Landes, 2012). A lack of public funding has been shown to inhibit affordable housing development near transit-oriented sites. For instance, Hickey (2013) found that a barrier for the implementation of affordable housing near the Atlanta Beltline District was the lack of federal funds needed to leverage the Beltline Affordable Housing Trust Fund. In short, ongoing subsidies and funding streams are necessary to make equitable TOD a reality.

Not only does the lack of federal investment in affordable housing inhibit new development, it also creates barriers for the preservation of existing units. A study by the American Association of Retired Persons found that there were 250,000 privately owned subsidized dwellings in the United States that were located within 800 meters of a transit stop, of which two-thirds of subsidies were set to expire within five years of the report (AARP, 2009). Quigley notes that "preserving existing housing is the most cost-effective means to ensure seniors and low-income households have access to good public transportation," (2010: 5) which heightens the need for ensuring that there is adequate, long-term funding for affordable rental housing.

3.c. Policy tools - regional and local

Much of the literature focusing on emerging practices for affordable rental housing development in transit-oriented locations examines regional and local policy initiatives. For instance, Hersey suggests that "[l]ocal and regional entities are responsible for setting most of the policies that either promote or inhibit eTOD" (2015:27). The next section will review some of the policy tools regional and local entities have used to promote and preserve affordable rental housing in transit-oriented locations across jurisdictions in the US.

Provision of free or discounted public lands

Utilizing public land is an effective tool for establishing affordable housing in transit-oriented locations (Hersey, 2015). There is a variety of public lands held by different levels of government, transit agencies, and utility companies that can be leveraged for affordable housing development. Hersey (2015) suggests that public land can be leased or sold to affordable housing developers, and that municipalities can place conditions on sites to ensure that a proportion of the units are affordable. Local jurisdictions can take a lead role to ensure that public lands are well utilized for affordable housing. For instance, King County in Washington State developed the Surplus Program for Affordable Housing in 1996 that allows for county-owned properties to be reviewed for suitability for residential development. Sites deemed acceptable are solicited for development proposals, with a portion of units allocated for affordable housing.

There are also several examples of transit agencies leasing land for affordable rental housing development. For instance, the Strobridge Court development in Alameda County California (near San Francisco) had the Bay Area Rapid Transit District (BART) lease land to a non-profit developer. The development provides 96 units of rental housing, affordable to seniors and families at 40 to 50 percent of area median income (AMI). Similarly, as part of the Los Angeles County Metropolitan Transportation Authority's (Metro) joint development policy, the Authority may discount ground leases on the Authority-owned land below fair market value to accommodate affordable housing.

Opportunity sites inventories

Regional and local governments have also developed inventories of transit-oriented sites for development and preservation. The Association of Bay Area Governments provides an up-to-date Opportunity Sites Inventory that provides information on vacant and underutilized land, its zoning, location, and existing use. Mapping exercises can also support preservation of existing affordable stock near future transit sites, through identifying sites that have a higher level of risk of being demolished or reconverted. The City of Portland developed a data system that maps opportunity sites, and the Portland Housing Bureau only funds projects that score highly in the system (Whitzman et al, 2015).

Transit-oriented structured funds

One popular tool that has been utilized extensively across jurisdictions in the United States is transit-oriented Structured Funds. Structured Funds pool money from different investors with varying expectations for risk and return to make loans for a set of dedicated purposes. In the US, various structured funds have been established to promote and preserve affordable housing in transit-oriented locations.[10] There are various examples of structured funds in the United States, with the two most cited examples being the San Francisco Bay Area Transit-Oriented Affordable Housing (TOAH) Fund, and the Denver Regional TOD Fund.

Case Study 1: Bay Area Transit-Oriented Affordable Housing (TOAH) Fund

The TOAH Fund in San Francisco began in 2006, when a partnership of various philanthropic and non-profit organizations came together to create the Great Communities Collaborative (GCC) to advance equitable TOD in the San Francisco Bay Area. Upon its formation, the GCC began to engage with the Metropolitan Transportation Commission (MTC), the local transportation authority, on barriers to land acquisition in the region. Over the course of several years, the scope of the fund was gradually broadened to focus on loan products outside of solely land acquisition, such as predevelopment and construction loans. In 2010, the MTC agreed to seed $10 million in capital to create the fund. From this initial catalyst investment, the managing

[10] Investors into these funds can include a variety of public sector actors (particularly regional and local governments), community-based agencies (e.g. foundations, community financial institutions) and private partners (e.g. commercial banks, pension funds). Funds are typically structured on a "top-loss" basis that allows different investors to participate based on their risk preference. Typically funds are comprised of three "layers" of investment: catalyst investments, below market loans, and senior debt (Landes, 2012), which allow the top layers to get paid out first in event of default. Catalyst investments represent 20 to 25% of a given fund and are typically made by public actors who do not expect a return on investment. These catalyst funds are necessary for leveraging other sources of capital into the fund. Following catalyst funds, below market loans are made by investors who expect a marginal rate of return, generally between 1 and 3%. These loans are typically made by state agencies, city affordable housing funds, individuals, foundations, and corporations. Senior debt is paid out first in the event of default and is the most risk-averse of capital in the fund. Typically senior debt is derived from community financial institutions, commercial banks, and pension funds (Landes, 2012).

consortium of the Fund was able to leverage another $40 million in philanthropic and private capital to create a $50 million fund. In June of 2015, the MTC committed an additional $10 million dollars to the Fund to expand it to $87.5 million.

The Fund works on a regional basis and provides predevelopment, acquisition, construction, and leveraged loans for sites located within 800 meters of transit in nine Bay Area counties. The TOAH fund has shown some success in preserving and promoting affordable housing in transit-oriented locations. Within the first 18 months of operation, the fund created and preserved 650 units of affordable rental housing.

Case Study 2: Denver TOD Acquisition Fund

Another important example of a TOD structured fund is the Denver TOD Acquisition Fund (Srivastava et al, 2010; Nedwick and Burnett; CNT, 2014). In 2010, Denver established a $15-million affordable housing TOD acquisition fund to provide low-interest capital to enable purchasing and holding of sites up to five years. The capital in the fund can only be allocated toward projects within 800 meters of existing or future light rail or 400 meters from high frequency bus stops. In 2014, the fund was increased to $24 million and can now be used on a regional basis rather than just the city proper. The fund was capitalized from numerous investors, including the City of Denver, Enterprise Community Partners, the Colorado Housing and Finance Authority, two foundations, and various banks. The City of Denver was the largest contributor with $2.5 million, and was crucial for catalyzing the fund given that its contribution was not expected to yield a market rate of return. Thus far, the fund preserved or created 636 affordable homes.

Value capture tools

Land value capture tools refer to a broad range of public policy, funding, and financing mechanisms that seek to capture a portion of rising land values resulting from public infrastructure investments back into community priorities such as affordable housing. There is a wealth of research demonstrating that transit infrastructure helps to raise property values in areas surrounding the transit development, which ultimately results from public zoning or investment decisions.[11] Given that public infrastructure investments and zoning incentives convey value to private landowners, value capture tools attempt to share the lift in land values associated with transit infrastructure for the public (CNT, 2007). While there are a range of tools available, three common mechanisms of value capture that have been shown to promote affordable rental housing near transit-oriented locations are tax-increment financing, inclusionary zoning, and joint development on transit properties.

[11] Immergluck (2009) found evidence that simply the announcement of the Atlanta Beltline had significant impact on property values in low-income neighbourhoods. Land owners near transit sites have also been shown to inflate their property's value due to its proximity to future transit sites (Wardrip, 2011). For instance, in Seattle's Rainier Valley, the Othello light rail station saw land values in mixed-use zones around the station increase by 585% over the 2004-2009 period, compared to 180% in the rest of south Seattle (Landes, 2012).

Value Capture Example 1: Tax-increment financing

Tax increment financing is one form of value capture that has been used by local governments for the redevelopment and revitalization of neighbourhoods. Typically, the implementation of tax-increment financing involves designating a specific geographic area in the city as a Tax Increment District (TID), or Tax Allocation District (TAD). Once the specific district is established property taxes in the area are frozen at a base rate, which is based on the assessed value of properties in the district at the time of designation. For the length of time that the TID/TAD is in place, taxing authorities continue to collect property tax at the base assessment value, while the local authority issues general obligation bonds to pay for improvements in the area. As land and the buildings in the TID/TAD are developed, their assessed values increase thereby creating incremental increases in property tax revenue above the base rate. Using these incremental increases in property values, the local authority then pays back the bonds used to fund the improvements.

Tax increment financing has shown some success in fostering mixed-income housing development in transit-oriented locations. In Portland, the city designated the Pearl District as an urban renewal zone and implemented tax-increment financing to create a high-density, mixed income neighbourhood with access to transit (Shoemaker, 2006; CTOD, 2010). In 2006, the City enacted a policy in which thirty percent of the revenues raised from the tax-increment financing are reinvested into affordable housing. Between 2006 and 2011, the policy was responsible for $152 million in direct affordable housing investments for very low- and workforce-income residents (Carlton and Flessig, 2014).

The Beltline Allocation District, created by the City of Atlanta in 2005, creates a TAD over an existing but non-operational 6,500-acre rail corridor. The city council requires that 15 percent of the revenues raised from the TAD's bond issue be invested into the Beltline's Affordable Housing Trust Fund (Hersey and Sprotts, 2015). This 15 percent designation is aimed at creating $120 million in affordable housing investments over the 25-year span of the TAD. The fund provides capital for acquisition, rehabilitation, conversion, and construction of housing at transit sites (Hersey, 2015).

Value Capture Example 2: Transit-oriented inclusionary zoning

Inclusionary zoning is a common form of value capture that has been used extensively to promote affordable housing near transit (Shoemaker, 2006; CNT, 2014). A 2014 study by the National Housing Conference's Center for Housing Policy found 512 inclusionary housing schemes in 487 local jurisdictions across the United States. Such policies will typically mandate a percentage (usually between 10 to 25 percent) of floor-space ratios within a development be affordable for lower-income households (between 30 to 80 percent of Area Median Income). Many policies also offer an in-lieu option that allows the developer to pay into a fund rather than develop the units themselves, which in turn can be used to fund other affordable developments. An issue with in-lieu payments however is that they are frequently used to construct affordable housing in areas outside transit-oriented locations and as a result, a strengthened regulatory framework is often required to ensure these investments are maximized and in the right location. Inclusionary policies have also been argued to be best paired with density bonuses or other incentives associated with rezonings (Conlan, 2012).

Some jurisdictions have been successful in including mandatory inclusionary housing policies near transit. For instance, the Massachusetts Smart Growth Zoning Overlay District Act of 2004 tied affordability requirements to TOD districts through ensuring 20 percent of the units in these districts were affordable to those earning 80 percent of AMI (Dawkins and Moeckel, 2016). In the suburban community of Tysons Corner in Fairfax County, Virginia the expansion of the DC Metro is projected to increase the population of the community from 20,000 to 100,000 over the next 30 years. The local government has implemented an inclusionary zoning policy that will require 20 percent of all residential units be affordable for households earning between 50 and 120 percent of the area's median income (Jacobus, 2015).

Value Capture Example 3: Joint development on transit properties + inclusionary housing policy

Joint development has become an increasingly popular method of value capture for transit agencies, given that they frequently have air parcels and developable land in desirable transit-oriented locations. Joint development typically involves transit agencies providing land at a lower cost to developers to facilitate improvements on the site, so that these agencies can recognize future revenue on the site as well as help drive transit ridership.

The literature has also demonstrated emerging practices to integrate affordable housing with joint development planning. Kniech and Pollack (2009) surveyed 25 transit agencies across the US and found that at least 15 had plans and/or policies for inclusion of affordable housing in joint developments. These transit agencies recognized a variety of benefits from affordable housing near their stations, including increased ridership leading to increased fare revenue (Kniech and Pollack, 2009). Other transit agencies in the US have developed stronger requirements for affordable housing in their joint development plans, such as developing stringent percentage goals for affordable housing when soliciting proposals. For instance, the Metropolitan Rapid Transit Authority (MARTA) in Atlanta developed a 20 percent affordable housing threshold for the agency's transit owned real estate (Hersey and Spotts, 2015). In July of 2015, the Los Angeles county Metropolitan Transportation Authority (Metro) instituted a policy that 35 percent of all housing in joint developments would be affordable, as well as would discount the land value of joint development sites up to 30 percent of fair market value for projects with an affordable housing component. In January 2016, the Bay Area Rapid Transit Authority (BART) adopted a policy that requires that a minimum of 20 percent of all housing developed on BART lands must be affordable to very low (< 50% AMI) and low income households (51-80% AMI).

These plans can help guide the development patterns around station areas, ensuring that affordable housing is integrated into the overall development patterns. In addition, Belzer and Autler (2002) note that government and transit agencies should exercise greater patience when assessing return on investment for transit projects. They suggest opening the concept of return on investment, including on social implications such as greater equity and quality of life.

Bond financing

Local governments in the United States have also used bond financing for affordable housing development in transit-oriented locations (Zuk and Carlton, 2015). In 2006, the City of Austin adopted a $55-million general obligation bond issue for affordable housing, enacted through a ballot measure that helped fund deeply affordable units along the Red Line transit system. In 2002, California's Proposition 46 won voter support to issue $2.1 billion in general obligations bonds (Basolo and Scally, 2008) followed in 2006 by Proposition 1C for $2.85 billion in general obligation bonds, of which $145 million was allocated toward TOD projects (State of California, 2009). For developments to qualify for Proposition 1C funding, they have to be located within 800 meters of a transit station, and 15 percent of the units must be for low- or very low-income households.

Regulatory measures

The literature suggests that local jurisdictions must create a supportive fiscal and regulatory framework for promoting affordable rental housing in transit-oriented locations (Belzer and Autler, 2002; Bross, 2014 ; Nedwick and Burnett, 2014; Hersey and Spotts, 2015), but that this alone is not sufficient. While there are a variety of municipal tools that have been identified as emerging practice in the literature, density bonuses and parking relaxations have been identified as the most effective (Bross, 2014).

It should be noted, however, that regulatory measures are only one aspect of ensuring housing affordability. For instance, in an international review of planning mechanisms to create affordable housing, Nowelant et al. found "that planning mechanisms will rarely, on their own, deliver an adequate supply of affordable housing options in urban renewal contexts. While they can facilitate the delivery of new affordable homes in the right locations, there were many government roles outside the regulation of development that enabled the delivery of affordable housing options in the urban renewal sites studied" (Noewlant et al.).

Regulatory Measure Example 1: Density bonuses

Density bonuses are identified in the literature as an important tool for promoting mixed-income rental (Reconnecting America, 2007; Nedwick and Burnett, 2013; Pollack and Prater, 2013; Bross, 2014). This policy focuses on providing additional density through increased floor space ratios or building heights in exchange for projects with a mixed-income component. Density bonuses work best when they are paired with an inclusionary zoning policy that outlines specific targets for mixed-income developments (Conlan, 2012).

The City of Denver altered the zoning code around its TOD areas to allow greater height and densities without the need for rezoning or master plan approval, so long as the development was adjacent to a transit station (Hickey, 2013; Nedwick and Burnett 2014). Bross (2014) demonstrated that this was an effective incentive for developers to include affordable housing in the transit areas he studied, given that developers did not have to enter a long and bureaucratic process of rezoning.

Regulatory Example 2: Reduced apartment parking requirements

Reducing apartment parking requirements has also been demonstrated to be a best practice for reducing the cost of developing rental housing. The requirement for parking can significantly increase the cost of development, with surface parking costing upwards of $4,200 (USD) while underground parking can cost at minimum $20,000 (USD) per space (CNT, 2014). Reducing this cost can result in additional units and lower the cost of development, as well as incentivize rental housing production. Guthrie and Fan (2015) surveyed developers and found that relaxing parking requirements and permitting higher densities was one of the most important local tools for making affordable housing development near transit financially viable. Bross (2014) and Nedwick and Burnett (2014) also found that parking restrictions could pose an impediment to affordable housing development near transit. In jurisdictions like the City of Portland, it is common to find 0.4 parking spots per unit, and even no parking requirements in some developments located in transit corridors (Nedwick and Burnett, 2014).

Land trusts

Community land trusts are non-profit organizations that hold land in perpetuity to provide permanently affordable housing through removing underlying land prices from the market (Fujii, 2016). There are several examples of transit-oriented land trusts being developed in the United States. The Atlanta Beltline saw the formation of the Atlanta Land Trust Collaborative (ALTC) (Hickey, 2013).[12] The ALTC is a ”central server” agency that works with other community partners to incubate and develop other community land trusts. For example, the ALTC partnered with the Pittsburgh Community Improvement Association to purchase 39 foreclosed properties within walking distance to the BeltLine and bring them under a community land trust model (Ibid, 2013).

In Denver, the Urban Land Conservancy (ULC) combines the function of a community land trust and a private land bank to develop and preserve real estate and community assets in urban areas near transit. The ULC purchases land in areas that are anticipating gentrification and retains ownership, then sells or leases existing buildings or property development rights to partners who agree to build affordable homes (Hickey, 2013). With the development of the Denver TOD Acquisition Fund in 2010, the ULC became the sole borrower from the fund. The ULC has been very successful in obtaining mixed-use rental residential properties near transit stations that are in 30 to 60 percent range of median area income, and may be responsible for creating and preserving over a fifth of affordable TOD housing in the region (Ibid, 2013).

[12] The ALTC was formed in partnership with the Atlanta Beltline Incorporated, a subsidiary of the Atlanta Development Authority.

Table 6 – Summary of policy tools and emerging practices identified in literature

Tool	Examples	Jurisdiction	Effectiveness in transit-oriented locations	Market rental, affordable rental or both
Improving coordination	-Sustainable Communities Initiative	Mix	High	Both
Adapting housing programs	-Qualified Allocation Plans in the Low-Income Housing Tax Credit program	Senior government	High	Affordable
Adapting transit programs	-Land use coordination points in the New Starts Program	Senior government	High	Both
Stable, long-term predictable funding and financing	-Low-Income Housing Tax Credit program -HOME Investment Partnership program	Senior government	High	Affordable
Public land	-Alameda County, CA -King County, WA -LA Metro joint development policy	Senior, local government	High	Affordable
Opportunity sites inventory	-The Association of Bay Area Governments Opportunity Sites Inventory -City of Portland opportunity sites inventory	Local, regional governments	Low	Affordable
Transit-oriented structured funds	-San Francisco Bay Area Transit-Oriented Affordable Housing (TOAH) Fund -Denver Regional TOD Fund	Local government, transit agencies, non-profits	Medium	Affordable
Tax-increment Financing	-City of Portland Pearl District -The City of Atlanta Beltline Allocation District	Local government	Medium	Affordable
Transit-oriented inclusionary zoning	-Massachusetts Smart Growth Zoning Overlay District Act -Tysons inclusionary zoning in Fairfax County, Virginia	Local government	Medium	Affordable
Joint development	-Metropolitan Rapid Transit Authority (MARTA) joint development policy (Atlanta) -Los Angeles County Metropolitan	Local government, transit agencies, non-profits	Medium	Affordable

	Transportation Authority (Metro) joint development policy			
Bond financing	-Proposition 1C (California) -City of Austin bond issue	Senior, local government	Medium	Affordable
Density bonusing	-The City of Denver	Local government	Medium	Both
Parking reduction	-City of Portland	Local government	High	Both
Community land trusts	-Atlanta Land Trust Collaborative (ALTC) -Urban Land Conservancy (Denver)	Non-profit	Medium	Affordable

Section 4 –Tools in Metro Vancouver Context

Jurisdictions in the US have experimented with a variety of policy tools to preserve and promote affordable housing in transit-oriented locations. This section of the study will assess whether the initiatives and tools identified in the literature review exist in Metro Vancouver, as well as identify various barriers and opportunities to implement and replicate tools that do not presently exist.[13]

4.a. Tools in Existence in Metro Vancouver

Table 3 below shows the policy tools that are already being used by senior and local governments in a Metro Vancouver context, as well as high-level commentary from key informants.

Table 7 - Tools in existence in Metro Vancouver

Measure	Currently used in Metro?	Participant Comments
Adapt affordable housing programs	Yes	• BC Housing factors in transit locations in funding decisions through a points-based criterion for the Investment in Affordable Housing (IAH), Provincial Investment in Affordable Housing (PIAH), and Investment in Housing Innovation (IHI) programs. • CMHC also incorporates transit location in funding decisions, such as through the Rental Housing Construction Financing Initiative.
Supply-side housing programs	Yes, but not ongoing	• While seen as a highly effective tool, supply side programs are usually one-time injections or short-term in nature (e.g. PIAH, IHI). • Need for long-term, predictable and stable sources of funding and financing.
Public land	Yes	• Land leases seen as an effective tool in promoting affordable development. • Various municipalities lease land to affordable housing developers (e.g. City of Vancouver). • There is a need to leverage provincial and federal surplus lands.
Transit-oriented parking reductions	Yes	• Viewed as one of the most effective municipal tools by study participants. • City of New Westminster under Secured Market Rental Program seen as important precedent for the region.

[13]Information for this section was taken from 10 key informant interviews from a broad cross section of agencies and policymaking backgrounds. This included representatives from TransLink, the Community Land Trust Foundation (Vancouver), New Market Funds (Vancouver), municipalities and affordable housing developers in Metro Vancouver, housing policy analysts, and Enterprise Community Partners.

Density bonusing	Yes	• Seen as a highly effective tool, when paired with policies like inclusionary zoning. • Suggested that in developments close to transit, developers should be mandated to construct affordable rental units rather than providing cash-in-lieu contributions.
Expedited processing times and fee waivers	Yes	• Used in various municipalities in Metro Vancouver. • Unlikely to promote affordability by themselves, but complement other tools.
Land trusts	Yes	• Non-profits and cooperative housing societies have land in transit-rich communities and appetite to have it managed with a portfolio approach. • Seen as having potential to facilitate more affordable housing in transit-oriented locations.

Adapt housing programs

For senior levels of government, there are already various practices in place to promote projects in transit-oriented locations. It is current practice for BC Housing to factor in transit location when awarding funding under various affordable housing programs that have been initiated over the last three years. The agency has a point-based criterion for assessing whether a project will be funded, and proximity to transit will result in more points being assigned to the project.

In addition, CMHC's Rental Construction Financing Initiative announced in April 2017 (see Appendix B) takes a first step toward integrating transit into a housing funding program. While the program does not make transit location a formal criterion for funding, a project will be more competitive (awarded more points) if the development is "within 1 km of public transit such as a bus stop, train station, rapid transit or subway station" and if the "project offers access to alternative forms of public transit" such as parking spots for car sharing service (CMHC: 2017). As such, more effort is being made at the federal level to directly connect affordable housing and transit infrastructure.

Stable funding

Participants identified long-term, stable and predictable funding for affordable housing as an important tool. While B.C. has seen numerous initiatives for affordable housing over the last several years, these programs are typically one-time injections of funding. For instance, the $500-million Investment in Housing Innovation (IHI) program was announced in September 2016, but all funds for the program were dispersed by March 2017. While various participants noted that this funding was welcome, a barrier to further affordable housing development is the lack of certainty whether public funding will be available in future years. Without certainty of public subsidy, it is difficult to ascertain a project's financial viability. Moreover, two participants noted that expiring subsidies for existing non-market housing projects may lead to displacement of low-income groups from existing transit-oriented locations. These factors heighten the need for stable funding for affordable housing.

Public land

Participants saw mobilizing public lands as one of the most effective policy tools to facilitate affordable rental in transit-oriented areas, given that land can account for 15 to 40 percent of the total development cost in Metro Vancouver. Participants suggested that all levels of government, as well as entities like TransLink, come to the table with land in transit-oriented areas. Various interviewees noted that land leases are an effective mechanism for promoting affordable housing development, and a “quick win” for municipalities given that these lands are still held in public ownership. While some municipalities in Metro Vancouver have been active in bringing public land to the table to help leverage affordable housing development, other municipalities in the region have been less willing or able. Participants thought this was related to issues of political will, lack of capacity for smaller municipalities, and a lack of strategic holdings held by various public entities.

Transit-oriented apartment parking reductions

The reduction of municipally mandated parking requirements in transit-oriented locations was also seen as a highly effective local policy tool for promoting affordability and facilitating the development of secured market rental. One participant noted that underground parking can cost up to $40,000 CDN per stall, which provides significant costs for the developer. Various participants thought that New Westminster’s Secured Market Rental Policy was an important precedent for transit-oriented parking reductions in the region. To enhance the city’s secured rental housing stock, the policy reduces parking requirements for projects located 400 meters from the Frequent Transit Network.

Density bonusing

Density bonusing was also seen as one of the most effective tools for ensuring transit stations will have an affordable housing component near them, although it was noted this policy needs to be combined with inclusionary zoning and other municipal contributions to be most effective. Fortunately, many Metro Vancouver municipalities already have density bonusing policies in place, although there are differences in the type of contributions and how they are implemented. Two participants suggested that in developments close to transit, developers should be mandated to construct affordable rental units rather than providing a cash-in-lieu contribution, which is an accepted practice in many municipalities. Another participant commented that given that the public decision of increased densities in TOD areas creates a private benefit through increased land values, it is important to ensure a public benefit is returned in the form of physical units. In many jurisdictions, the developer provides a voluntary contribution in the form of amenities (e.g. public right-of-way dedication, civic facilities, child care spaces) or a financial contribution towards a municipal fund for future amenities. Local governments and local stakeholders see amenities as a requisite trade-off for accommodating growth and demand for public services, and must weigh the relative merits of seeking amenity contributions versus new affordable rental housing units from the developer.

Fee waivers and expedited permitting

Participants suggested that fee waivers and expedited permitting processes were a supportive tool to complement municipal incentives like inclusionary zoning and density bonusing, but that they are unlikely to promote affordability by themselves. Various municipalities in Metro offer these incentives, although they are inconsistently applied across the region.

Land trusts

Land trusts were also identified as an important tool that could be further explored to assist with promoting and preserving affordable rental housing options in transit-oriented locations. The main entity promoting the land trust model in the Metro Vancouver region is the Vancouver Community Land Trust Foundation, one of three closely related land trusts.[14] The agency was created through a partnership with the City of Vancouver, various social finance organizations, the Co-operative Housing Federation of BC, and various non-profit organizations that came together to create a 358-unit non-market housing project in the City of Vancouver's River District. The City leased lands to the land trust for 99 years at a nominal rate, and the project allows for cross-subsidization of rents to ensure various levels of affordability, from 23 percent to 90 percent of market rates. The model was successful for using a portfolio approach to development, in which a single organization was developing and operating the sites under a portfolio, rather than four separate organizations each developing and operating their own site.

While the current land trust model is in its infancy, two participants saw that there was potential for it to assist with supporting affordable housing near transit if the model were scaled up. There are already numerous non-profit and cooperative housing organizations who hold sites in transit rich neighbourhoods that have indicated they would like to have their land managed through a portfolio approach. This suggests that there is potential for securing and potentially redeveloping these prime sites with a social purpose in mind. One participant also suggested that the land trust model could support municipal inclusionary housing policies. Private market developers frequently do not want to hold and operate affordable units created through inclusionary policies; they want to sell their units and move on to the next project. In addition, there is frequently no administrative structure in a municipality to ensure affordable units are being rented to households in need. It was suggested municipalities could create a program to offer units created through inclusionary measures for sale at a pre-determined price below market to either non-profit organizations or a land trust, which could then operate those units with a social mandate.

An interviewee stated that a major barrier to the wider implementation of the land trust in Metro Vancouver is the current governance structure. Currently the governance structure of the trust is a "closely held" model, which has representation from only one organization (The Land Trust Foundation itself). The Land Trust Foundation is currently working with BCNPHA on a new governance structure that will open the board to more representation from different organizations. This could help facilitate non-profit organizations and other landholding entities to contribute sites into the trust, given they would have a voice on the board.[15]

[14] The Co-operative Housing Federation of BC is affiliated with three land trust entities. The Community Housing Land Trust Foundation was established in 1993 and leases land to five housing co-operatives and one non-profit housing society.

[15] A conventional land trust has a board comprised of one-third community representatives such as social service providers and housing professionals, one-third residents living in the land trust, and one-third residents that to do not live on the lands held in trust.

4.b. Tools not in existence in Metro Vancouver

This section will discuss the opportunities and barriers to implementing the policy tools identified in Section 3 above, but that are not currently in existence in Metro Vancouver. Table 4 provides an overview of the findings of this section.

Table 8 – Table of tools not in existence in Metro Vancouver

Measure	Currently used in Metro?	Participant comments
Adapt federal transit programs and investments to ensure integration	No	• Participants identified need for a policy framework that would tie conditions to transit funding to promote land-use goals around station areas. • Current bi-lateral PTIF agreement does not provide for land use integration, which requires federal and provincial leadership.
Grants to facilitate coordination and cooperation	No	• Could be an effective tool to facilitate planning and research with local stakeholders, leading to defined plans for preservation and promotion of affordable housing stock near transit areas.
TOD structured funds	No	• Need patient capital for financing activities like site acquisition, as current programs do not cover this activity. • Recent private sector initiatives, such as the Affordable Rental Housing Fund by New Market Funds and Vancity's predevelopment funds, show there is appetite among investors and private sector participants to provide patient equity and capital, and for innovative policy tools such as a structured fund. • Interest in exploring this measure further.
Tax-increment financing (TIF)	No	• Requires legislative change for local governments to adopt this tool, which may be a long and difficult process. • Regional policy discussions of TIF have been focused mostly around the funding of public transit infrastructure. Consideration would have to be given to how TIF could also support affordable housing goals in transit-oriented locations. • Works in high-growth areas and could be effective in various Metro Vancouver municipalities.
Transit-oriented inclusionary zoning	Partial	• Inclusionary zoning used by various municipalities across Metro, but not uniformly applied along transit corridors or transit hubs.
Joint development on transit properties combined with inclusionary housing policy	No	• TransLink to sell surplus lands to fund transit expansion. Many of its land holdings are held by statutory right of way, limiting allowable density. • Potential for land leases on agency owned land held in freehold. • Potential for consideration of inclusionary housing policies or targets in joint development

Bond financing	No	• Not a common tool for funding affordable housing in Canadian jurisdictions. • Rental housing advocates developed a federal proposal for an affordable housing bond issue in 2014. Traction for the proposal has since subsided.

Adapting federal transit programs to include affordable housing

Many participants suggested that there is a need to adapt federal transit programs to ensure that land use surrounding transit areas is better integrated with affordable housing goals. Participants suggested that given there are billions of dollars flowing into the region for transit funding, one mechanism to facilitate greater integration is through a policy framework that would tie conditions to this funding to promote land-use goals, such as required density or inclusionary zoning in transit areas. One participant suggested that it would be beneficial if such conditionality was prescriptive, in that it would set standardized expectations and outcomes and allow a more regional approach to planning. This proposal was controversial among municipal staff interviewed, who raised concerns that it would take away from the autonomy of local governments to set zoning policy. Other interviewees commented that such an overarching policy framework would be beneficial in that it would provide clear, consistent expectations for developers and would initiate densification and rapid transit planning at the same time.

A barrier to the implementation of such a framework is that the current bi-lateral PTIF funding agreement with B.C. does not allow funds to be spent on land use integration.[16] The bi-lateral agreement flows funding to TransLink for costs related to rehabilitation, optimization, and modernization of the transit system; supporting asset management capacity; designing of future transit stations; and system expansion.[17] As such, land use integration is not an eligible spending category, and would require the federal and provincial governments to establish standards for how funding is spent. Federal and provincial leadership is required to ensure that transit dollars are better connected to land use planning in transit-oriented locations.

Federal grants to improve coordination and planning

Currently, there are no programs that provide grants to support coordination and cooperation between local stakeholders for aligning municipal land-use planning and transportation investments. Informants were generally supportive of this idea and suggested that there was a need to improve communication and coordination among regional and local actors. For instance, grants could help develop multi-stakeholder planning processes and research that would lead to defined plans for preservation and promotion of affordable housing stock near transit areas, that is both sensitive to local conditions as

[16] Also, Federal Gas Tax Funds cannot be used for the purchase of land or any interest therein.

[17] The following are eligible investments for the PTIF:

i. Capital projects for the rehabilitation, optimization and modernization of public transit infrastructure, or that improve the efficiency, accessibility and/or safety of public transit infrastructure (including rehabilitation or enhancement of existing guide ways, maintenance and storage facilities, or other existing public transit capital assets; refurbishment or replacement of existing rolling stock; and replacement or enhancement of transit stations);

ii. Expenditures to support the asset management capacity of a public transit system;

iii. Expenditures to support the design and planning for the future expansion and improvements to public transit systems, including transportation demand management measures and studies and pilot projects related to innovative and transformative technologies; and

iv. Projects for system expansion, which may include active transportation, if they can be completed within the program timeframe.

well as the needs of low-income residents in the community. One participant thought that this would be an easy program to implement at the federal or provincial level.

Transit-oriented structured funds

Structured funds were one of the main policy tools identified in the US literature to help facilitate affordable housing near transit-oriented sites. Participants had differing views on the replicability and desirability of a structured fund in the Metro Vancouver context.

One participant suggested that a fund focusing on loans for land acquisition would be beneficial given that there is a lack of financing and funding support for this activity in Metro Vancouver, with these costs not covered by current programs. For instance, funding under the Community Partnership Initiative, CMHC seed funding and Rental Construction Financing, and private sources of pre-development financing such as those offered through Vancity credit union require that a site be controlled either through ownership or a long-term lease. As a result, there is a current gap in the financing environment for acquiring transit-oriented sites before transit lines are built and land costs rise. An acquisition fund could be particularly important for acquiring lands in suburban communities that are planned for future transit expansion, given these lands are comparatively inexpensive and would provide a lot of “bang for the buck” if acquired now. Similarly, an acquisition fund could secure sites near frequent bus stops where land costs may be significantly lower compared to sites near rapid transit stations.

In terms of sourcing capital for an acquisition fund, a participant suggested that there are significant differences between philanthropic sources of capital in the US and Canada. Not only are there more sources of philanthropic capital in the US, but those agencies are also more willing to fund innovative policy tools. At the same time, the precedent of New Market Funds raising private capital from foundations, as well as Vancity’s predevelopment funds, suggests that there is appetite among private sector agencies for new forms of impact investing and opportunity to provide patient sources of capital.[18] There is potential then for private capital to be layered in with seed capital to source the secondary and tertiary tiers of a transit-oriented structured fund.

Other participants were less certain about the desirability of an acquisition fund and suggested it could be difficult to implement given the nature of local government governance in Metro Vancouver. One participant discussed the Regional Equitable TOD Fund (REDI) in the Puget Sound area, noting it was a more difficult process to weave together than the San Francisco Bay Area TOAH Fund. The latter fund had its seed capital sourced from a single public entity (the transit agency itself). Due to political conditions, the municipal planning organization in Puget Sound could not find a single public entity to seed the fund, and so had to use its convening powers to source the contribution from multiple public partners. Having multiple public agencies at the table created issues surrounding what transit stops would be prioritized by the fund, what levels of affordability should look like, as well as legal liability language. A participant questioned whether there would be a single public agency that would seed an acquisition fund in Metro, given that (in the opinion of the participant) TransLink does not necessarily

[18] See Section 2 above.

see affordable housing within its mandate, and the provincial government might not want to contribute to what is a regional matter. Seed capital would likely have to be sourced from a variety of municipalities, which could lead to similar complexities over implementation. Given that TOD funds are more effective when they are regional in scope, this would require regional buy-in.

Participants also suggested there would need to be more discussion surrounding the scope of the fund and how it aligns with other funding and financing initiatives. It was noted that TOD funds are particularly effective when there is appropriate subsidy supply in place to provide certainty to the developer that they will receive funding to complete the project on the site they are holding. Sites must be acquired for a purpose otherwise there is little incentive to hold on to them while continuing to pay interest, property taxes, and other holding expenses. Acquiring land for a period of years with an uncertainty about obtaining future financing for the project is a barrier to implementation. As such, without long-term funding and financing in place, participants questioned the effectiveness of the fund. In addition, the purpose and intention of the fund would have to be made clear, such as tenure of financing for the site (such as two years, five years), who can apply, who administers the fund, its governance model, and other related questions.

Another issue that was raised is that at the end of the day the site is being purchased, meaning that these costs will ultimately be reflected in the underlying viability assessment of the project. Even when land is provided to a project for free or at nominal cost, some projects are still not financially viable at low-income rents. Consequently, such a fund might not be useful in larger urban areas of the region where land costs are exorbitantly high, and so the fund would have to be well capitalized to have any significant effect. Another participant echoed this concern, suggesting that the transit corridors in Metro Vancouver are well known, and it is possible prices will still be too costly to acquire.

While there is reason to believe that a structured fund could complement rather than replicate existing financing and funding sources, more research is needed to determine the appetite of stakeholders to capitalize such a fund, the scope of loan products it offers, the financial viability of housing projects that might benefit from the fund, as well as the technical details such as what body would administer it.

Tax increment financing (TIF)

A participant noted that tax increment financing has not been widely used in Canada, with only Manitoba and Ontario having enabling legislation for it. As such, a barrier to developing TIF for the funding of affordable housing is dependent on the enactment of legislation to permit municipalities to engage in it. This would require significant consultation and policy development with a range of stakeholders, and it is unclear if the provincial government has an appetite to engage in this lengthy and difficult process. Regional policy discussions of TIF have been focused mostly around the funding of public transit infrastructure rather than mixed-income housing development. Therefore, TIF's ability to also support affordable housing goals in transit-oriented locations would need to be considered.

At the same time, participants suggested TIF works best in areas that are experiencing high levels of urban growth and, as a result, could be an effective tool in Metro Vancouver.

Transit-oriented inclusionary zoning

Participants in the study believed that inclusionary zoning in transit corridors would be one of the most effective mechanisms for promoting affordable housing. As one participant noted, it “should not be possible to get a building permit within 500 meters of a transit stop unless there is 20 percent affordable housing included.” While some municipalities in the region already have inclusionary zoning policies, participants felt that such a policy would be most effective if it were applied regionally and complemented with other municipal tools. Participants also stated that it would be most effective if the policy were tied to federal and provincial transit funding to promote a regional approach to planning.

Participants felt that inclusionary zoning around transit areas is important because it creates certainty for market developers early in the process about what public contribution is expected in a development. Currently, if a municipality does not have an affordable housing policy or strategy in place where the community contribution is set out from the beginning, it is a negotiated process. This negotiated process creates uncertainty for the initial pro forma analysis of a project, making it difficult to assess project viability. Inclusionary housing policies would remove uncertainty from the development process setting out expectations early on. One participant commented that this could also help dampen land prices around TOD areas given that market developers will capitalize the added costs of the inclusionary policy into the market, helping to suppress land value appreciation. These comments resonate with what Nouwelant et al. (2011) say that “[p]roviding clarity and certainty, both around development potential and expectations of public goods to be delivered in urban renewal projects, [is] considered one of the most crucial aspects of a successful planning framework.”

Participants stated that a challenge with inclusionary zoning is that private developers frequently do not want to be long-term operators of housing units created through these policies and municipalities are ill equipped to monitor them. This can lead to issues where the units are not being rented to households in need of affordable housing. Two participants suggested that conditions attached to provincial or federal transit funding could stipulate that units created through inclusionary zoning be placed in non-profit ownership. This would create more certainty that units are being rented to groups in need.

Joint development

A study participant noted that there is a common misconception that TransLink holds surplus land near the FTN that is available for joint development. While the agency does have various strategic parcels held in freehold ownership, many of its land holdings are owned by statutory right of way. The participant noted that the land rights associated with statutory right of way restrict density on the sites, allowing only for basic operational structures such as retail or office space. As such, many of the parcels owned by TransLink would not allow for mixed-income rental housing development. For parcels held in freehold ownership, a challenge for joint development is that TransLink is required to sell surplus lands to raise funds for transit expansion. For instance, the 10-Year Vision specifically outlines selling surplus lands as one mechanism to fund the regional share of capital costs of future transit expansion. In addition, from a development perspective the participant noted that developing housing on sites located near frequent transit is often expensive. There are a variety of costs related to technical aspects of ensuring that debris and materials do not fall onto the train line during construction, such as expensive structural solutions like canopies. This further inhibits the ability for joint development on parcels owned by TransLink.

At the same time, a participant noted that joint development could be initiated through land leases on TransLink owned properties. TransLink's strategic holdings are necessary for future expansion of the transit system, such as through creating future maintenance yards or bus depots. Land leases would allow the agency to retain ownership over the parcels, while also providing some "quick win" housing. The participant noted that there are limited parcels available for such development, and this should be further explored.

Bond financing

Bond financing has not been used extensively in municipalities in Canada to fund affordable housing development. One participant did suggest that there was a proposal from a variety of private-sector rental housing advocates in 2013 for a federal bond-issue program. The program proposal would create a bond issue that would have the federal government be the facilitator to raise repayable construction capital via 35-year Federal Development Bonds at 2.5 percent interest to be used for the construction of new affordable rental housing. While the proposal had backing under the federal Conservative Party, traction for it subsided once the federal Liberals introduced a renewed funding commitment for affordable housing in budgets 2016 and 2017. Given the development of programs like the Affordable Rental Housing Financing Initiative, the participant questioned the success of the proposal moving forward.

Summary

Over the next 10 years in Metro Vancouver, there will be significant demand for rental housing that is affordable for households earning less than $50,000 annually. The supply gap analysis presented in Section 1 of this report shows that if past trends hold, there will be a projected shortfall of 23,750 units of affordable rental housing for lower-income households over the next 10 years across the region, and that 84 percent of this need will be for households earning less than $30,000 annually.

Fortunately, recent investments and policy initiatives for both affordable housing and public transit have the potential to increase affordable housing options in transit-oriented locations across Metro Vancouver. Over the course of 2016 and 2017, federal, provincial, and local governments have committed billions of dollars to the region for both affordable housing and public transit infrastructure over a variety of initiatives. Of particular note are significant investments from the federal government in Budget 2016, the *Fall Economic Statement* of 2016, and Budget 2017 for both affordable housing and transit, as well as a commitment from the provincial government to match much of this funding. In addition, municipalities across the region have come to develop supportive regulatory and fiscal programs and policies to support the construction of purpose-built rental housing.

While there are billions of dollars flowing into the region over the next 10 years and all levels of government at the table to expand and preserve affordable housing and public transit, there is little coordination and alignment of this funding to help ensure the two are planned together and dollars are maximized. The US literature on the topic shows that there are a variety of public policy tools that can help foster more equitable transit communities, and offers guidance on linking housing and transit more explicitly in policy and in funding decisions. For senior levels of government, key policy interventions include developing programs to ensure that transit location is prioritized in affordable housing programs, and that affordable housing is promoted in transit funding programs, as well as ensuring that there is long-term, stable funding for both. There is also a range of policy tools and strategies that can be implemented by local levels of government in conjunction with non-profit and private sectors. These include offering free or discounted land; mapping opportunity sites; creating innovative policy tools such as transit-oriented structured funds; value capture tools; bond financing; creating supportive regulatory environments; and promoting community land trust models.

While all levels of government, the private sector, and non-profit organizations can bring individual policy tools and strategies to the table, it is of utmost importance to ensure that that each intervention is working within a coordinated framework. Each level of government has different mandates and jurisdictional authority and can apply different tools to help facilitate affordable housing near transit. In addition, private and non-profit sectors have resources such as capital, land, and development experience to help facilitate affordable housing preservation and development. Coordinated planning processes between all of these organizations and the public can help ensure that resources are used more efficiently, goals and strategies are clearly articulated, and policies are tailored to individual communities. Fostering buy-in and shared ideas among partners about the importance of affordable housing near transit is important for creating results.

In addition to facilitating greater coordination between agencies to ensure that transit and affordable housing are planned together and dollars are maximized, philanthropic organizations, community financial institutions, and other private entities can provide additional resources for developing new and innovative policy tools that support equitable transit-oriented communities. Recent examples in the region such as Vancity credit union and New Market Funds show that philanthropic and social purpose investors are willing to put resources into affordable rental housing if the right opportunity presents itself.

Appendix A – Methodology of Supply Gap Analysis

The methodology for the supply gap analysis consists of two separate components. The first component is an analysis of future demand for rental housing for households earning less than $50,000 in Metro Vancouver over the next 10 years. The second involves estimating future supply of rental housing for different income groups over the next 10 years. This section will discuss each of these pieces in turn.

The demand estimates for the supply gap analysis are taken from Metro Vancouver's *Regional Growth Strategy* update of 2017.[19] The *Regional Growth Strategy* provides a breakout of ownership and rental demand over the 2016 to 2026 period for various income groups. Very low-income households are defined as earning less than $30,000 annually, while low-income households are defined as earning between $30,000 and $50,000 annually. Table 9 summarizes the demand projections contained in the *Regional Growth Strategy*.

Table 9 - Rental demand estimates by income group, Metro Vancouver Regional Growth Strategy, 2017-2026

Income group	Units required
Estimated very low-income demand (<$30,000)	23,500
Estimated low-income demand($30,000 to $50,000)	11,200
TOTAL affordable rental housing demand	34,700

The resulting analysis shows that there will be significant demand for rental housing for households earning less than $50,000 over the next 10 years. For very low-income households (earning less than $30,000) an estimated 23,500 units will be required over the period. For low-income households (earning between $30,000 and $50,000) an estimated 11,200 units will be required. Overall, demand for affordable rental housing will be 34,700 units over the next 10 years for renter households earning less than $50,000.

The second piece of the supply gap analysis involved developing estimates of supply for various income groups over the next 10 years. To estimate supply that is required to meet future demand, estimates were derived from past trends using CMHC completion data from 2013 to 2016, housing starts data for 2016, as well as data derived from various Fall Market Survey reports. Supply estimates are derived by projecting out the average number of completions by different housing type, and then making assumptions about what components of the stock will be affordable for households earning less than $50,000.[20] Table 10 is based on a custom order from CMHC and shows housing completions by type in Metro Vancouver from 2013 to 2016.

[19] Found at: http://www.metrovancouver.org/services/regional-planning/PlanningPublications/RGSAdoptedbyGVRDBoard.pdf page 69.
[20] 2016 also witnessed a high number of rental starts in each category, which could indicate a trend toward increased rental production. To more accurately reflect a higher trend of rental production, 2016 start figures were factored into the analysis through equally weighting the 2013-2016 completions average with 2016 start figures.

Table 10 – Recent rental supply completions by source, 2013 – 2016

	Social Housing	Secondary Suite	Laneway/ Coach House	Purpose-Built Market Rental	Private Condo Rental [21]	Sub-Total	Less Demolitions (PBMR)	New Rental Supply Estimate
2013	396	1,178	547	988	2,736	**5,845**	192	**5,653**
2014	549	1,180	456	776	2,670	**5,631**	229	**5,402**
2015	646	1,523	455	858	2,468	**5,950**	168	**5,782**
2016	249	1,659	466	1,124	2,630	**6,128**	623	**5,505**

The projections for each housing type were derived by calculating the average number of completions from 2013 to 2016, and projecting it out over the next 10 years.[22] There has been little variance in the number of these completions over the time period, providing a basis for future projections. Table 11 provides the supply projections used for the analysis, as well as projected demolitions of the rental stock annually. It should be emphasized, however, that these projections are based on past trends and are therefore only estimates of future supply.

Table 11 – Rental housing supply projections for Metro Vancouver, 2017– - 2026

	Social Housing	Secondary Suite	Laneway/Coach House	Purpose-Built Market Rental	Private Condo Rental	Sub-Total	Less Demolitions (PBMR)	Supply Estimate
TOTAL Projected Units, 2017-2026	5,000	17,800	5,500	18,700	28,000	75,000	(3,000)	71,500

The next step in the analysis was to make assumptions about what percentage of the supply would be targeted at households earning less than $50,000 annually. Rental supply for very low-income households is taken to be the total projected social housing completions over the 2017 to 2026 period, given that social housing units are aimed at the low end of the income distribution.

Households earning between $30,000 and $50,000 have an affordable rent threshold between $750 and $1,250, based on the standard 30 percent of gross income cap. According the 2016 CMHC Fall Market Survey, average rent for secondary stock was $1,470, while the average rent for a condominium in 2016 was $1,625, putting both of these housing forms out of reach for low-income households. New purpose-built stock also tends to display higher rents and will likely not be affordable for households earning less than $50,000. For instance, in order to qualify for the DCL waiver under the City of Vancouver's Secured Market Rental Policy, studio apartment rents must be set at a maximum of $1,360 for the East Area and at $1,496 for the West Area, and are therefore out of the affordability range for households earning less than $50,000. In the context of high land and development costs for these housing types, it is unlikely much of this new supply will be affordable for lower-income groups. Given that secondary, purpose-

[21] 25% of condo completions are taken to constitute rental stock, as per the CMHC Fall Market Survey 2016, Page 37.
[22] Given that starts were significantly higher in 2016, an average was taken between the trend over the 2013 to 2016 period as well as the starts for 2016, applying equal weight to each.

built, and private condo rentals all rent above what low-income groups can afford, the projection assumes that 20 percent of secondary suites, 5 percent of laneway/coach houses, 20 percent of purpose-built stock, and 5 percent of rented condos will be affordable for households earning less than $50,000.[23]

Table 12 show the results of the supply gap analysis. Based on the assumptions of the analysis, it demonstrates that only 21 percent of the very low-income rental demand will be met moving forward. At the same time, it shows that only 70 percent of the low-income rental demand will be met.

Table 12 Estimated rental demand and supply, 2017-2026

	Estimated Rental Demand	Estimated Rental Supply	Gap Between Demand and Supply	Share of Demand Met by Supply	Estimated Additional Rent Supplement	Revised Share of Demand Met by Supply (with Rent Supplements)
Very low-income (earning <$30,000)	23,500	5,000[24]	-18,500	21%	5,700	46%
Low-income (earning $30,000 to $50,000)	11,200	5,950[25]	-5,250	53%	0	53%
Sub-total lower-income groups (earning <$50,000)	34,700	10,950	-23,750	32%	5,700	48%

A further step that was taken with the analysis was to understand the effect of rent supplements on very low-income supply. Provincial government rent supplements help to make existing rental housing more affordable for some low-income households. In order to estimate the number of rent supplements that will be provided, the average increase in rent supplements between 2012 and 2016 was projected out over 10 years and then factored into the analysis. Table 12 also shows that when factoring in rent supplements, 46 percent of very low-income housing demand is met.

[23] A more conservative approach would assume that 10 percent of future secondary suites and purpose-built rentals will be affordable to low-income households. When applying these assumptions, the supply gap increases from a shortfall of -23,700 units to -27,400 units. Under these assumptions, only 21 percent of the supply for households earning between $30,000 to $50,000 is met.

[24] Assumes 100 percent of projected social housing completions.

[25] Assumes 20 percent of projected secondary suites, 5 percent of projected laneway/coach houses, 20 percent of projected purpose-built stock, and 5 percent of projected rented condos.

Appendix B – Environmental Scan details

Affordable Housing

Federal Budget 2016

In 2016, the federal government committed substantial investment for affordable housing for the first time in over 20 years, with an injection of $2.3 billion in new investment allocated over two years. [26] This injection of funds was considered a "down payment" before the implementation of a broader National Housing Strategy. Funds were allocated for several different initiatives. Figure 1 outlines these commitments in more detail.

Figure 1 - Budget 2016 housing investments summary

AFFORDABLE HOUSING INVESTMENTS
millions of dollars

	2016–2017	2017–2018	Total
Doubling the Investment in Affordable Housing Initiative	261.6	242.8	504.4
Increasing Affordable Housing for Seniors	100.3	100.4	200.7
Supporting Energy and Water Efficiency Retrofits and Renovations to Existing Social Housing	500.0	73.9	573.9
Supporting Shelters for Victims of Violence	60.0	29.9	89.9
Tackling Homelessness	57.9	53.9	111.8
Subtotal	**979.8**	**500.9**	**1,480.7**
Additional Investments in Housing for First Nations, Inuit and Northern Communities[1]	*356.2*	*382.8*	*739.0*
Total Investments Funded Through Social Infrastructure Commitment	1,336	883.7	2,219.7
Additional Investments to Support the Construction of Affordable Rental Housing[2]	*13.1*	*72.6*	*85.7*
Grand Total	**1,349.1**	**956.3**	**2,305.4**

[1] Includes funding for renovation and construction of new shelters on reserve. An additional $3.4 million would be provided for shelters on reserve in 2018–19, bringing total investments for housing in First Nations, Inuit and northern communities to $742.4 million over three years, starting in 2016–17. See Chapter 3—A Better Future for Indigenous Peoples.

[2] Funding for the construction of affordable rental housing will continue beyond 2017–18. Additional funding of $122.6 million over three years, starting in 2017–18, would be provided, bringing total investments to $208.3 million over five years. Funding for this measure is over and above investments in affordable housing under the Government's social infrastructure commitment.

Much of the funding flowed through the existing Investment in Affordable Housing (IAH) Program, except for homelessness funds, which were allocated to the Homelessness Partnering Strategy (HPS). The IAH framework is the main federal funding agreement with the provinces for affordable housing. Funds are provided on a cost-matched basis with only broad federal conditionality attached, giving provinces flexibility on how and where funds are allocated. The current agreement provides for spending under four eligible categories:

1) Increasing the supply of affordable housing for households in need. This can include construction and/or conversion of rental and homeownership homes.

[26] Social housing investments were capped in 1993-1994 at roughly $2 billion per year. About $740 million was dedicated to Indigenous and Northern communities in Budget 2016.

2) Improving affordability for vulnerable households in need. This category can include rent supplements, shelter allowances, and homeownership assistance.
3) Improving and preserving the condition of existing affordable housing for households in need. This spending category includes renovation, rehabilitation, and repair.
4) Fostering safe independent living. This category includes support for new construction, modifications, and renovations to affordable housing for victims of family violence, seniors or persons with disabilities.

As with previous funding agreements, federal contributions were allocated on a per capita basis, with B.C. being allocated roughly 13 percent of the funds. In June of 2016, the funding package for B.C.'s component of Budget 2016 was announced, which included a $150 million increase to the federal IAH over two years.[27] For new construction and repair of units, CMHC provides the funding through capital contributions or forgivable loans, thereby helping to close the financial feasibility gap for projects.

In addition to increasing IAH and HPS funding, Budget 2016 committed to supporting the construction of affordable rental housing through two new funds. First, $208 million nationally was allocated toward the Affordable Rental Housing Innovation Fund to test new and innovative business approaches to lower the costs and risks of financing rental housing developments. Details of this program were announced in September 2016. The program aims to create 4,000 new units over five years and encourages applicants to feature innovative and unique models of design and/or financing.

Second, the budget committed the CMHC to consult with stakeholders on the creation of an Affordable Rental Housing Financing Initiative (ARHFI) aimed at providing up to $500 million each year over five years for low-cost loans to municipalities and developers for affordable rental projects. In April of 2017, the federal government also announced the Rental Construction Financing Initiative, which will provide $625 million in low-cost loans over the next four years to stimulate rental housing supply.

Federal Budget 2017

Following the funding commitments made in 2016, in March of 2017 the federal government released Budget 2017 that plans for the provision of $11.2 billion over 11 years for several affordable housing initiatives. Table 14 provides a breakout of the $11.2 billion in funding commitments, as well as additional detail for each item.

Table 13 - Affordable housing investments in Budget 2017

Initiative	Funding Commitment	Details
National Housing Fund	$5 billion	• Develop a co-investment fund that will pool resources among housing partners and prioritize large-scale community renewal projects. • Expand direct lending through continuation of CMHC's Rental Construction Financing initiative.

[27] The previous 2014-2019 extension to the IAH allocated $150 million over five years to B.C., or $30 million a year. Included in the B.C. component of Budget 2016 funding was $63 million for IAH spending, within eligible spending categories noted above. The other $87 million for special funding included $25.2 million for seniors housing; $10 million for shelters and transition houses for victims of family violence; and $50.9 million to assist with renovation and repair of existing stock.

		• Support for innovations in affordable housing through initiatives like up-front capital contributions and energy retrofits. • Preserving affordability of social housing through temporarily expanding funding for rent-geared-to-income units in buildings with expiring operating agreements. • Develop a Sector Transformation Fund and Technical Resource Centre to help social providers transition to more efficient and financially sustainable operating models.
A renewed federal-provincial-territorial partnership in housing	$3.2 billion	• Develop a new, expanded, multilateral investment framework that will replace the existing Investment in Affordable Housing initiative.
Homelessness funding	$2.1 billion	• Funding for the Homelessness Partnering Strategy.
Targeted support for Northern Housing	$300 million	• Funds for rehabilitation and construction of new housing in northern communities.
Targeted support for Indigenous peoples not living on-reserve	$225 million	• Funding for capital repairs, continuing affordability of units supported by the former Urban Native Housing Program, and the development of new housing.
Make federal lands available for affordable housing	$202 million	• Provide surplus federal lands and buildings available at low or no cost for affordable housing. • Funding to top up the existing Surplus Federal Real Property for Homelessness Initiative in 2017–18, and a new expanded initiative starting in 2018–19.
Housing research	$241 million	• Increase housing research to fill key data gaps.

CMHC Rental Construction Financing Initiative

Announced in April 2017, the Rental Housing Construction Financing Initiative will provide $625 million in low-interest loans to non-profit developers, private developers, and municipalities for rental housing development to 2021. The loans are offered for a 10-year fixed-term for the most risky period of development and can be amortized for up to 50 years in order to lower monthly carrying costs. After the 10-year period the project must be refinanced by a CMHC approved lender.

In order to qualify for the program, applicants must demonstrate that the project is:

- Financially viable and does not require ongoing operating subsidies;
- Affordable, defined as having residential rental income 10 percent below what the market would otherwise bear, as determined by an appraisal report. In addition, a minimum of 20 percent of units must be at or below 30 percent of median household income for the particular market the development is situated;
- Energy efficient, defined as achieving a minimum 15 percent reduction in energy use and greenhouse gas emissions relative to 2015 model building codes;
- Accessible, defined as having at least 10 percent of the units in the project as meeting or exceeding accessibility standard defined by the 2015 National Building Code.

In addition to these minimum standards, projects are awarded more points if they have deeper levels of affordability, energy efficiency, and accessibility. In addition, applications to the program are awarded more points if the projects bring in partners that have land and capital, as well as if they are located close to transit and/or bus stations and/or promote alternative transportation methods such as car sharing.

British Columbia Housing Investments

Recent federal investments in affordable rental housing were accompanied by two major funding announcements by the provincial government in 2016. In the 2016 B.C. budget, the government announced the Provincial Investment in Affordable Housing (PIAH) program, allocating $355 million over five years with the objective of creating and preserving 2,000 affordable rental housing units. The program provides equity contributions for units in mixed-income rental developments that are then owned by the Provincial Rental Housing Corporation. The program is aimed at creating low-end of market units for households with incomes falling below $65,000 to $95,000, depending on household size.[28] While income thresholds under the program are high, this allows for projects to cross-subsidize units so that there is a range of affordable units in each development, in turn supporting mixed-income projects.

In September of 2016, the provincial government announced an additional $500 million in funding for affordable rental housing development, funded in part through a newly implemented Foreign Ownership Property Transfer Tax. Like the PIAH program, the funding will provide capital contributions for units in mixed-income developments (but without the stipulation that the province own the units), and planned to provide another 2,900 units of rental housing across the province. The funding for both programs was allocated by April of 2017.

In September of 2017, the provincial government released the *Budget 2017 Update* that committed $670 million to affordable housing and homelessness initiatives. This included $208 million to fund the creation of 1,700 new affordable rental units, as well as $461 million to develop 2000 modular homes with support services over the next three years. Further, the *Update* provided for $472 million for an increase of $100 per month for each of income and disability assistance, which increases the incomes of low-income renters.

These affordable housing announcements from the provincial government are complimented by BC Housing's Community Partnership Initiative (CPI). The CPI program provides pre-development funds through interim (construction) and take-out financing to non-profit organizations for up to 100 percent of the construction costs for affordable rental housing and mixed-market projects.[29] BC Housing provides additional support with a referral to housing consultants, specializing in working with non-profit housing developers, who can provide guidance and assistance through the development process.

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[28] Units with two or more bedrooms cannot be occupied by households with gross incomes greater than the median income for British Columbian couple families with children. In 2014, these incomes varied between $93,290 and $106,270 depending on how many children were in the family (CANSIM Table 111-0011). For units with less than two bedrooms, gross household income cannot exceed median income for couple families without children, which stood at $69,360 in 2014.

[29] The take-out financing can only be applied to the non-profit component of a mixed-income project.

Municipal Context for Rental and Affordable Rental Housing

Some municipalities in Metro Vancouver have developed policies, programs or supportive regulatory frameworks to help incentivize rental housing construction and affordable rental housing (usually non-profit or cooperative housing). Metro Vancouver's *What Works* series[30] demonstrates how a variety of fiscal, regulatory, and zoning tools are being used by municipalities across the region to promote market and non-market rental housing. These municipal measures include offering city-owned land at no or low cost or through long-term leases, waiving development fees, offering property tax relief, providing grants through affordable housing reserve funds, allowing for increased density, and reducing parking requirements. Each municipality pursues its own mandate and, consequently, these policies are inconsistently applied across the region. One of the key ways that municipalities have contributed is through provision of land at below-market rates or at no cost for affordable housing developments.

The units created through rental incentive programs are market rental units, and are not affordable for households earning less than $50,000. Provincial and federal assistance is needed to achieve lower rent levels and greater affordability. Partnerships between public and private actors are important for ensuring that greater levels of affordability are achieved. For instance, federal and provincial capital grants and forgivable loans can be integrated with municipal fiscal and regulatory incentives to create deeper levels of affordability in mixed-income projects. This will be explored further in the sections that follow.

Transit Funding

There have also been recent initiatives and investments at the federal, provincial, and municipal level aimed at supporting new public transportation in Metro Vancouver. This section will review these recent investments to provide context to the funding picture regionally.

Federal

In Budget 2016, the federal government created the first phase of the Public Transit Infrastructure Fund (PTIF) which allocated $3.4 billion over three years to the provinces, with the share of funding being based on transit ridership. The initial contribution of $460 million for B.C. was announced in March 2016, of which $370 million has been committed to the Metro Vancouver region.[31] These dollars were intended for purchasing new transit vehicles and the planning and design for rapid transit lines in Surrey and along the Broadway Corridor.

In addition to these funds, the budget altered the proportion the federal government was willing to commit to the capital costs of new transit projects. While previously the federal government was committed to funding 33 percent of eligible capital costs of new projects, Budget 2016 altered this

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[30] Metro Vancouver "*What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities"*. Found at : http://www.metrovancouver.org/services/regional-planning/PlanningPublications/1267_WhatWorks_LR.pdf . Metro Vancouver *What Works: Municipal Measures to for Sustaining and Expanding the Supply of Purpose-Built Rental Housing.* Found at: http://www.metrovancouver.org/services/regional-planning/PlanningPublications/RAHS-WhatWorksReport.PDF

[31] Federal spending in Metro Vancouver focused on purchasing additional SkyTrain and West Coast Express vehicles, a new SeaBus, upgrades to SkyTrain stations, bus exchanges, state of good repair initiatives, as well as planning and design for rapid transit lines south of the Fraser River and the Millennium Line Broadway Extension. Ineligible costs for federal money under this agreement included land acquisition, leasing land, building and other facilities, real estate fees and related costs. http://www.infrastructure.gc.ca/prog/agreements-ententes/ptif-fitc/bc-eng.html#scheda

provision to fund up to 50 percent of eligible capital costs, thereby reducing the contribution of regional and municipal authorities from 33 to 17 percent for capital investments. In Budget 2017, Phase 2 of the PTIF program was announced providing $2.2 billion to Metro Vancouver over the next 10 years.

Provincial Transit Investments

In 2008, the provincial government developed *The Provincial Transit Plan* which laid out a $14 billion plan to expand transit opportunities and double transit ridership in the province. A major component of the plan was to expand transit service in Metro Vancouver, with $10.3 billion of the proposed $14 billion planned for the region. This included an extension of the Millennium Line along the Broadway Corridor, an expansion of the Expo line into Surrey, a larger contribution for the Canada Line, and funding for new SkyTrain rail cars. In order to meet the outlined $10.3-billion investment, the plan proposed a $4.75-billion provincial injection of funds, to be cost matched by $3.1 billion from the federal government as well as $2.75 billion from TransLink and local governments, which were also to provide supportive land use policies. As of 2016 however, only 23 percent ($1.1 billion) of the provincial funds have been allocated (Klux and Bruce, 2016). There has been a chronic underfunding of transit, and subsequently an inability to meet the targets set out in the *Provincial Transit Plan*.

In March of 2015, the provincial government provided another 10-year transit plan, *BC On the Move*, in which the government committed to cost-sharing a third of costs for new transit infrastructure. The plan also supported the implementation of the Mayors' Council 2014 Vision (discussed below). This commitment was followed in May of 2016, when the provincial government announced $246 million (33 percent) in transit infrastructure capital funding for Metro Vancouver in order to match the initial commitments under Federal Budget 2016.[32] The provincial government also committed to examining financial tools such as mobility pricing to generate revenue to help source the regional contribution.

Regional/Municipal

Prior to the 2015 Metro Vancouver transportation and transit plebiscite, the Mayors' Council on Regional Transportation was directed by the provincial government to develop a detailed, fully costed plan for transit investments. Subsequently the Mayors' Council released their report *Regional Transportation Investment: a Vision for Metro Vancouver* (10-Year Vision). The 10-Year Vision provides details on new capital investment and expansion of operating services for transportation over a 10-year period to meet the region's needs.[33] The 10-Year Vision was developed before the Budget 2016 funding formula was implemented, and has since been updated to reflect the new 50 percent federal contribution. Numerous policies have been proposed to fund the regional share, including the introduction of mobility pricing, a small fare increase, sale of surplus TransLink land, property adjustment to existing TransLink property tax, allocation of the region's federal Gas Tax Fund, and a new regional development cost charge to support transit infrastructure. In November of 2016, the Mayors'

[32] https://news.gov.bc.ca/releases/2016CSCD0026-000867
[33] In order to address persistent underfunding for transit in Metro Vancouver, a plebiscite was conducted in May of 2015 to increase sales tax by 0.5% in the region order to provide a consistent and stable funding source for transit. The plebiscite was defeated.

Council approved Phase One of the 10-Year Vision to leverage federal PTIF and provincial contributions to capital with regional funding to expand transportation.

The Mayors' 10-Year Vision, which identifies priorities for regional transit upgrades, expansion, and other regional transportation investments, recognizes the importance of aligning land use policies with transit investments and infrastructure. A component of the Vision is to ensure that transit investments align with *Metro 2040*, ensuring that "affordable housing, industrial land, jobs, and major destinations [are] in the right locations, so that walking, cycling, and transit are convenient transportation choices and goods movement trips are efficient." The plan focuses heavily on partnership agreements between municipalities and TransLink that would ensure "appropriate regulatory, zoning, development, and parking policies are brought forward concurrent with project approvals to create certainty around development intentions and financial performance of the investment." Essentially this would align transit funding to supportive land use. While the 10-Year Vision does not include explicit policy regarding rental housing or affordable rental housing, TransLink's *Regional Transportation Strategy* (2013) includes a specific action for TransLink to work with partners to encourage affordable and rental housing along the Frequent Transit Network.

Appendix C – List of Acronyms

AMI (Area Median Income)
FTN (Frequent Transit Network)
RMHI (Regional Median Housing Income)
RAHS (Regional Affordable Housing Strategy)
PTIF (Public Transit Infrastructure Fund)
PIAH (Provincial Investment in Affordable Housing)
IHI (Investment in Housing Innovation)
TOD (Transit-Oriented Development)
LIHTC (Low Income Housing Tax Credit)
QAPs (Qualified Allocation Plans)
TID (Tax Increment District)
TAD (Tax Allocation District)
TIF (Tax Increment Financing)

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