Metro Vancouver developers offer cash instead of affordable housing

Practice becoming more common in Metro Vancouver, municipalities say

BY KELLY SINOSKI AND JEFF LEE, VANCOUVER SUN JUNE 19, 2014

Richmond Mayor Malcolm Brodie said his council is considering a proposal for cash in-lieu by Intracorp because it needs $3 million in interim funding to ensure affordable rents at another project.

Photograph by: Steve Bosch, PNG

As Metro Vancouver cities push developers to provide affordable housing in new developments, some builders are finding it easier to simply give municipalities cash instead.

The issue came into sharp focus this week when Intracorp's Hollybridge Limited Partnership offered Richmond council a $4.6-million voluntary cash in-lieu contribution to avoid building 29 low-market rental units in a stand-alone facility as part of a multi-storey tower project near the Richmond Olympic Oval. The developer wants to build more market residential housing and commercial space on the site instead.

Richmond planners have recommended the move, noting the contribution — based on the five-per-cent rental housing that was promised for the site — could be used to help fund a planned subsidized housing project slated for city-owned land at 8111 Granville Ave.

Such practice is in play in other big Metro Vancouver cities, including Vancouver and Burnaby, where planners are willing to accept cash instead of affordable housing units so they have more flexibility to use the money for subsidized or low-market housing elsewhere in their cities.

Along Vancouver's fast-changing Cambie corridor, for instance, developers of smaller projects are putting cash into an "affordable housing fund" the city has established, while Burnaby recently approved cash in-lieu contributions related to multi-storey towers in Metrotown and Brentwood. About 80 per cent of the contributions in Burnaby would be applied to services for the town centre where the development is proposed, with the rest put toward a citywide affordable-housing fund.

Surrey, which had previously required cash contributions from developers to its affordable-housing fund before the practice was stopped by former mayor Doug McCallum, will also reconsider the idea, said Coun. Judy Villeneuve.

But while this isn't necessarily new, it's not something the cities want to do.

Richmond's policy requires projects with 80 residential units to include at least five-per-cent lower market rentals in exchange for a density bonus. Those with fewer than 80 units can choose to build affordable units on site or contribute money to to the affordable housing reserve.

But Mayor Malcolm Brodie said his council is considering the proposal by Intracorp because it needs $3 million in interim funding to ensure affordable rents at the planned Granville project.

This has been done before, he said, but this time council has asked staff if the remaining $1.6 million can be used for low market rentals at the Oval Village.

“We want affordable units spread throughout these large projects,” Brodie said. “But there are a few developments where we cluster the contributions elsewhere for a very specific purpose.”

Richmond committed years ago to supporting the Granville Avenue development as well as Polygon’s Kiwanis Village on Minoru Boulevard, he said, and Intracorp’s application is considered a “special circumstance.”

Surrey’s Villeneuve noted her city will look at reinstating the developers’ contribution fund for affordable housing next term. She noted it’s often difficult to get developers to provide affordable housing on site because it doesn’t always work out financially.

In the early 1990s, she noted, the city had required developers to build towers with only 85-per-cent market housing, but they failed to sell. None of the new towers in Surrey City Centre, where developers were offered incentives to build there, include affordable housing, while few are willing to take on the costs when land costs are so high and there are no longer any tax credits.

“We need to have a more substantial amount of money to deal with what’s coming down the line,” she said. “If the cash is equal to what would have been built, it would be possible to use that cash to partner with other levels of government or BC Housing. We need to really look at how we can give incentives to rental housing.”

For years, Vancouver has generally required developers to set aside 20 per cent of their project for social housing. That policy has been in place ever since Concord Pacific began redeveloping the north side of False Creek.

But in recent years the city has modified the policy to also require developers to develop and build those units. The city’s fairly well-defined “community amenity contributions” policy limits the amount of gross profit a developer can generate from a rezoning, with a large part of the resulting value or “land lift” going to city CAC projects.

Those projects include everything from social housing units to daycare centres to public art to parks and transportation improvements.

Mukhtar Latif, Vancouver’s chief housing officer, said the city does not inject itself into the pricing of private housing units.

“We can’t impose any pricing constraints on a developer on market units,” he said.

However, he said, the city does seek to create affordable housing options in new developments through social housing and permanent rental units.

While the city prefers developers to build the required social housing units, it has varied that policy along the Cambie Corridor to allow contributions to a central housing fund. That’s because there are a lot of smaller-scale rezonings and developments where it doesn’t make sense to enforce the 20-per-cent rule, he said.

Latif said the city takes half of the $55 per square foot it collects under the CAC program and puts it toward future social-housing projects in the same neighbourhood.

Latif said the city is also in the early stages of looking at experimental housing options in other cities around the world.

“We are just exploring now what other cities are doing in terms of home ownership for those who can’t access directly,” he said.

Those findings will likely go to council next year, he said.

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With a file from the Burnaby Now