



Rental Supply Program

PROGRAM FRAMEWORK

February 2024



INTRODUCTION

In 2024, the Province of British Columbia announced the creation of BC Builds to deliver a supply of market and below market housing, at an accelerated pace.

Through BC Builds, BC Housing partners with non-profit and for-profit partners to: provide cross-agency leadership for faster development; to improve the use of underutilized public lands; to deploy innovative financial and non-financial tools; and, to explore building innovation opportunities to create more market and below market rental housing units.

The Province is committed to the *Declaration on the Rights of Indigenous Peoples Act* as well as the obligations to consult and cooperate with First Nations regarding the use and disposition of underutilized provincial land that may be identified as potential BC Builds projects. BC Housing will work with the Province and First Nations to ensure these obligations are met. During this process, BC Housing will also be engaging with First Nations to look for BC Builds partnership opportunities.

The BC Builds Rental Supply program is delivered by BC Housing through BC Builds, and will use its financing, funding, and support for faster development to increase the supply of market rental housing that is suitable for middle income households across British Columbia.

Developments must be able to operate without any ongoing operating subsidies or other funding from BC Housing outside of the program funding. Increasing the supply and range of rental housing options across the Housing Continuum (Figure 1) helps support a healthy, diverse, and inclusive housing ecosystem for British Columbians to live in.

This program framework outlines the overall program principles, purpose, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of project partners in the delivery and management of the BC Builds Rental Supply program.

Figure 1: Housing Continuum



PRINCIPLES

The following principles guide how BC Housing implements and administers the BC Builds Rental Supply program, and our relationship with partners and government.

- 1. Cross-agency leadership for faster development**
 - a) Local governments are willing to move quickly to facilitate any approvals necessary for projects to proceed expeditiously.

- b) BC Builds through BC Housing will facilitate partnerships between public, private, community, and /or non-profit stakeholders.
- c) When advantageous, BC Housing will act as a project partner, developer, or co-developer for greater leadership and oversight of projects from start to end.

2. Improving the use of underutilized public and non-market lands

- a) BC Builds will work with all community landowners such as public bodies, federal, provincial, local, and First Nations governments to identify underutilized lands suitable for rental housing development.
- b) BC Housing acknowledges the Province's commitment to the *Declaration on the Rights of Indigenous Peoples Act* as well as the Province's obligations to consult and cooperate with First Nations regarding the use and disposition of underutilized provincial land that may be identified as potential BC Builds projects. BC Housing will work with the Province and First Nations to ensure these obligations are met. During this process, BC Housing will also be engaging with First Nations to look for BC Builds partnership opportunities.

3. Deploying innovative financial tools

- a) BC Builds through BC Housing will make available low-cost land, as well as provide low-cost construction financing and grant funding for purpose-built rentals to eligible partners, including First Nations.

4. Exploring building innovation opportunities

- a) BC Builds will encourage the use of innovative and standardized designs to accelerate the construction and approval processes.

5. Rental housing options for middle income households are established across British Columbia

6. Sustainability

- b) Developments will be financially sustainable without the need of operating subsidy from BC Housing.
- c) BC Builds encourages the use of sustainable practices and adheres to the sustainability requirements in the BC Building Code.

7. Project partners are expected to maximize their equity contribution to projects.

- a) Project partners must bring one or more of cash, property, land, grants, or other equity sources.

8. Transparent and accountable operations

- a) BC Housing will employ fair and consistent processes when evaluating and selecting projects.
- b) Project partners will maintain reliable and consistent records and fulfil reporting obligations to BC Housing.

PROGRAM PURPOSE

Goal: Increase the supply and range of rental housing options for middle income households across British Columbia.

Objective: Create rental housing for middle income households in communities across British Columbia, at an accelerated pace.

Outputs:

1. Interim construction financing for eligible project partners.
2. Take-out financing for eligible project partners.
3. Grant funding for eligible non-profit project partners.
4. Utilization of public or non-market land.
5. New market and below market rental units created across British Columbia.

Outcomes:

1. Middle income families are able to remain in communities they serve.
2. Expedited project assessment and approval processes to speed up the delivery of rental housing.
3. Building innovation opportunities to facilitate standardized building designs, building components, and permitting processes to support faster development.
4. BC Builds projects are operated successfully over the life of the buildings without operating subsidies or supplemental funding from BC Housing.

Indicators:

1. Number of new units created for eligible households at the target income levels.
2. Number and value of interim construction loans.
3. Number and value of take-out loans facilitated.
4. Number and value of grants provided.
5. Number of parcels of land committed.
6. Length of time to move through development approvals.
7. Number of units created through the use of innovative building techniques.

FUNDING

Partner Contributions

Partnerships are an essential component of the BC Builds Rental Supply program. BC Housing will partner with non-profits, private developers, faith groups, First Nations, federal, provincial, and local governments, to locate, use, develop or redevelop land in communities where underutilized land is available to build rental housing for middle income households.

Partners must bring in equity to the project such as capital funding, land contribution, cash equity, grants, or other equity contribution.

BC Housing may facilitate partnerships to access public and other non-market land at below-market value or lease rates for non-profit or private developers.

Financing¹

BC Housing provides interim construction financing for the development of rental housing, including new construction, acquisitions, and redevelopments. Interim financing may be approved up to 100% of the cost to complete the project.

BC Housing may also facilitate eligible housing partners to obtain take-out financing. BC Housing will make arrangements with the National Housing Authority (NHA) approved lenders to obtain low interest rates and favourable terms through a competitive tender and selection process conducted and approved by BC Housing. All approved BC Housing take-out loans will have Canada Mortgage and Housing Corporation (CMHC) loan insurance.

BC Housing will typically require the following security registered on title:

- Execution and registration of BC Housing’s standard mortgage security package,
and
- A Section 219 restrictive covenant.

Security considerations will vary from project to project and may include a long-term operating agreement if CMHC-insured take-out financing and/or capital grant is provided.

Grant Funding

BC Housing may provide capital grants of up to \$225K/unit for a limited number of units in select non-profit projects in order to improve financial viability. Projects receiving grants from BC Builds must include a minimum of 20% of the units rented at 20% below market. Units must be owned and operated by an eligible non-profit housing provider, public housing corporation or First Nations-controlled development corporation. Capital grants for non-profit projects may be secured by a 35-year forgivable mortgage and a Section 219 restrictive covenant registered on title. A long-term operating agreement may be required.

PROJECT ELIGIBILITY

BC Builds will work with non-profits, private developers, faith groups, First Nations, federal, provincial, and local governments to identify land for housing and to develop a continuous pipeline of projects to be considered for financing and funding to accelerate the supply of housing in communities across British Columbia.

The evaluation of projects will be based on proponent and project eligibility, need and demand, lending criteria, local governments willingness to expedite approvals, and available financing.

The following minimum eligibility requirements² must be met before final project approval:

1. The site must be suitable for residential use and rental housing.
2. Housing must be for middle income households.
3. The project partner must own and control a mortgageable interest in the property.

¹ Financing is subject to BC Housing’s Lending Criteria.

² BC Housing may require additional guarantees or security in certain cases as it deems appropriate.

4. The project partner will demonstrate present and future need and demand for rental housing for middle income households in the target community. Project partners should refer to the Need and Demand Study Document template for the recommended approach (see <https://www.bchousing.org/publications/housing-need-demand-template.pdf>).
5. The project partner must present a clear business case for the project, including demonstrated ability to maintain rents³ for middle income households over time, and demonstration that developments will be sustainable without operating subsidies or additional grants for capital repairs/replacements from BC Housing.
6. Project partners must bring equity to the project such as cash, grants, municipal concessions, or land.

While all project partners must meet the minimum eligibility requirements, BC Housing may apply additional criteria or prioritize projects based on available equity contributions, financing, and other determining factors such as:

- Greater need and demand/community impact
- Municipal and community support
- Larger partner equity contributions
- Geographic location

KEY PROGRAM ELEMENTS

Tenant Eligibility

The program targets middle income households, with income thresholds for eligibility set at the Middle Income Limits which are defined as follows:

- **Units with two or more bedrooms:** Middle income households are those whose gross household income does not exceed the 75th income percentile for families with children, as determined by BC Housing from time to time.⁴
- **Units with less than two bedrooms:** Middle income households are those whose gross household income does not exceed the 75th income percentile for families without children, as determined by BC Housing from time to time.⁵

For projects involving a mix of unit sizes, the corresponding income threshold will be applied to each unit type.

Rents

Rents must be suitable for middle income households, as determined by BC Housing for a minimum of ten (10) years⁶.

Projects with non-profit partners, public housing corporations or First Nations-controlled development corporations receiving capital grants of up to \$225K/unit:

- Units must target eligible households for a minimum of thirty-five (35) years

³ Maximum rents should not exceed 30% of the Middle Income Limits.

⁴ BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (With Children)*, and it is typically updated annually. For 2024, this figure is \$191,910.

⁵ BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (Without Children)*, and it is typically updated annually. For 2024, this figure is \$131,950.

⁶ Longer-term rent requirements will apply in the event of take-out financing.

- Include minimum of 20% of units rented at 20% below market for a minimum of thirty-five (35) years.

The rent structure will vary depending on the characteristics of the particular project, the tenant population served, and whether or not funding from other partners is layered into the project.

All units in the development must be rented at or below local market rents, and at rents that do not exceed 30% of the Middle Income Limits in effect at time of occupancy and at unit turnover.

Leases

The landowners will maintain its fee simple interest on the development sites and may enter into long-term leases with project partners, where appropriate, to facilitate the creation of mortgageable interests and housing development.

For development on public or non-market land⁷, a long-term (up to 99-years) lease is required to be registered on title.

Design Guidelines

Projects must comply with the BC Building, Fire and Plumbing Codes.

ROLES AND RESPONSIBILITIES

BC Housing

- Evaluate project proposals
- Facilitate financing
- Provide technical assistance and advice
- Monitor and evaluating the success of the program
- Facilitate partnerships
- Manage the public land inventory
- When appropriate, act as a project partner / developer / co-developer to provide land development services, and by coordinating the design and construction of housing projects.

Project Partners

- Undertake the design and construction of developments
- Assist with the evaluation of proposals where partners provide zoned land seeking developer and operator through the BC Builds Housing Development Opportunities webpage
- Day to day operations and management of the housing, including the provision of property management services
- Identify and select eligible tenants, including verification of their income
- Periodic reporting to BC Housing
- Ensure the financial viability and long-term operating success of the housing.

⁷ Includes land owned by First Nations, faith organizations, community groups, etc.

MONITORING AND REPORTING

Monitoring ensures program compliance and minimizes risk to all stakeholders: residents, project partners and BC Housing.

BC Housing's main interests are:

- Targeted households are being housed
- Below-market rents where provided are maintained as required
- Market rents are maintained at a suitable level for eligible households
- Construction standards and value for money are met
- Developments are financially viable with no operating subsidies from BC Housing
- Buildings are maintained to an appropriate standard for their expected lifespan
- Project partners meet legal and contractual obligations including conflicts of interest
- New rental housing is developed on underutilized land
- Accelerated timelines are achieved.

From time to time, the project partner is required to submit a report, using a template provided by BC Housing, addressing key requirements such as:

- Current financial statements
- Current rent levels
- Household incomes at move-in

An on-site visit by BC Housing staff may occur from time to time, particularly where operational or financial issues arise.

SIGN-OFF

The Program Framework requires final sign-off by BC Housing’s Chief Executive Officer and approval by Executive Committee.



Vincent Tong
Chief Executive Officer
BC Housing