



REQUEST FOR DECISION

Subject: Banff Avenue Affordable Housing Project

Presented to: Council
Submitted by: Sharon Oakley,
Manager, Housing Sustainability

Date: 2020 October 13

Item #: 8.2

RECOMMENDATION

That Council direct Administration to:

1. Proceed with issuing Studio North & Lola Architecture a letter of intent to finalize drawings and start the approvals and construction process for a 33 unit affordable, for purchase, housing development on 338-342 Banff Avenue; and
2. Return to Council with a borrowing bylaw for the construction of 338-342 Banff Ave affordable housing development.

BACKGROUND

Reason for Report

At the 2019 November 12 Meeting of Council, Administration was directed to proceed with a RFP process for an affordable housing project to be constructed at 338-342 Banff Ave. The original timeline for this project anticipated a 2020 March deadline for RFP submissions, however due to COVID 19 the overall timeline for this project was delayed. The RFP process for design/build submissions closed 2020 August 28. A successful proponent has been selected based on the alignment to the scope of work that was presented to Council in 2019 November. This Report will outline the details of the design elements, costing model and community survey input for the housing project so that Council can give consideration for this affordable, price restricted, for purchase housing development.

In contrast to the Ti'nu rental housing project where financing came from a 30 year debenture, this "for purchase" housing development is to be serviced through short term debt financing and the sale of price restricted units through the Banff Housing Corporation. Similarly to Ti'Nu, this project would not be tax payer supported.

Summary of Issue

Three parcels of land on Banff Avenue have been purchased by the Banff Housing Corporation for the purpose of housing development. The address of the site is 338/340/342 Banff Avenue.

The design/build process saw thirteen expressions of interest from design/build teams across Alberta. After Administration's review of these submissions, three teams were shortlisted to respond to the RFP and submit a complete design build package. These submissions were reviewed by the Housing Team in early September and the preferred design/build team selected to proceed was Studio North & Lola Architecture.

The Housing Team is of the opinion that all of the criteria as set out by Council have been met by the successful design/build team. The table below includes the requirements outlined in the original scope of work and compares them to the submitted design.

Scope of work:

Targeted scope of work	Selected Design
<p>Unit Mix</p> <ul style="list-style-type: none"> • 30% 1 bedroom (600sf) • 60% 1 bedroom + loft/den or 2 bedroom- (850sf), • 10% 3 bedroom (1000sf) 	<p>1 bedroom/1 bath-12 (36%) 1 bedroom +loft/ 1 bath -5 2 bed loft/1 bath-4 2 bedroom/1 bath barrier free-2 2 bedrooms/2 bath-7 3 bedrooms/2 bath-3 (9%)</p> <p style="text-align: right;">} 55%</p> <p>Total units: 33</p>
<p>Unit Size (plus or minus 10%) 1 bedroom- 600ft², 2 bedroom- 850ft² 3 bedroom -1000ft²</p>	<p>1-bedroom units – 550 ft² 1 bedroom + loft -715 ft² 2-bedroom loft –1000-1020 ft² 2 bedroom -840 ft² 3 bedroom-915-1220 ft²</p>
<p>Barrier Free Units – 5% of units will be designated barrier free</p>	<p>2 of 33 units are barrier free representing 6% of total units</p>
<p>Floor Area Ratio – maximize the FAR for the site (2523 m²)while maintaining required parking</p>	<p>The FAR for the proposed design is 1.29 (2498.3m².) of a possible 1.3.</p>
<p>Amenity Space – The Land Use Bylaw requires that 5m² of outdoor amenity area be provided for each unit, and that amenity areas be located immediately adjacent to, and with direct access from, the dwelling unit it is to serve (e.g. a deck). Achieve the Land Use Bylaw requirements for amenity area by including a mix of both indoor (personal amenity space) and outdoor amenity space.</p>	<p>All units have private balconies (5m/dwelling) Common outdoor amenity space is 399 m² includes both communal courtyard with seating and a fire pit and a rooftop patio with the restored and relocated Hindes cabin for all residents to use as a gathering place or potential visitor accommodation.</p>
<p>Building Specifications:</p> <ul style="list-style-type: none"> • Provide an elevator in the development • Two interior package options requested • Storage units be made available for every unit at no cost to tenant • Laundry – in suite 	<ul style="list-style-type: none"> • Elevator: Requirements will be based on the design submissions and compliance with the Alberta Building code. • Interior Package: Two interior packages will be available to home buyer- Standard and Upgrade package. Packages will include options for flooring, countertops, appliances and lighting. Each unit have a kitchen package that includes a stove, fridge and microwave, dishwasher, apartment size washer/dryer. • Storage units: Storage units should be 3-4% of unit size, minimum size (24X30X60) • Laundry: In suite.

<p>Parking – Parking requirements for the development will comply with the provisions of s.8.0.0 of the Land Use Bylaw for apartment housing based on unit size configurations.</p>	<p>A total of 48 parking stalls have been included in the submitted design (43 required), and 66 indoor secured bike stalls. Of note, no reduction in Required Parking is provided as per Bylaw 380 as this is a for purchase building and not a for rent building.</p> <table border="1" data-bbox="699 317 1451 793"> <thead> <tr> <th></th> <th># of Units</th> <th>Parking Ratio</th> <th>Required Stalls as per bylaw</th> <th>Stalls included in design</th> </tr> </thead> <tbody> <tr> <td>1 Bedroom Units</td> <td>17</td> <td>1.0</td> <td>17.0</td> <td></td> </tr> <tr> <td>2 Bedroom Units</td> <td>13</td> <td>1.5</td> <td>19.5</td> <td></td> </tr> <tr> <td>3 bedroom Units</td> <td>3</td> <td>2.0</td> <td>6</td> <td></td> </tr> <tr> <td><i>Total Required Parking s8.0.0</i></td> <td></td> <td></td> <td>43</td> <td>48</td> </tr> </tbody> </table>		# of Units	Parking Ratio	Required Stalls as per bylaw	Stalls included in design	1 Bedroom Units	17	1.0	17.0		2 Bedroom Units	13	1.5	19.5		3 bedroom Units	3	2.0	6		<i>Total Required Parking s8.0.0</i>			43	48
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<p>Environmental specifications – Banff Ave development will incorporate many environmental, energy saving, and active transportation provisions, and ask for LEED Silver as an option from RFP respondents to mimic the Town’ Sustainable Municipal Building Policy C-106.</p>	<p>The project will exceed by a minimum of 10% (preliminary modelling is 22% better than code minimum) the energy performance requirements of the National Energy Code of Canada for Buildings 2017 ECB 2017 compliance became mandatory in Alberta as of October 1, 2019.</p> <p>As per the Town of Banff’s Municipal Sustainable Building policy (C106), the building will achieve a minimum certification level of Silver under LEED v4.1 Residential BD+C: Multifamily (preliminary assessment indicates that Gold level certification may be possible).</p> <p>For the ‘Standard’ interior package, all appliances will be ENERGY STAR certified. For the ‘Upgrade’ interior package, all appliances will be ENERGY STAR Most Efficient certified, where suitable products are available.</p> <p>All parking stalls will be roughed in with NMD90 wiring for an electric charging stations and provision will be made for the conduit for the EV stations to run directly to the dwellings. Building design will take advantage of local renewable energy resources.</p>																									

Project cost

The total project cost for the construction of this proposed design is estimated at \$13,277,000. Units will be sold based on total construction cost. The design build approach affords a high degree of confidence in the construction budget as the design is sufficiently advanced to allow for material take-offs and pricing, and the Proponents commit to a fixed price contract that limits change orders to items such as ground risk or owner-driven changes (which are outside their control). The budget provided below includes a reasonable contingency (based on experience from other projects) for items such as ground risk and minor changes during the final stages of design development.

Construction Costs

Design/build cost- Studio North/Lola Architecture	\$ 9,877,000
Debt remaining for 338/340 Banff Ave land	\$602,000
Land costs for 342 Banff Ave	\$1,300,000
Project contingency	\$742,000
Owner costs	\$756,000
Total Costs	\$ 13,277,000

Financing Details

Financing for the construction of the project will be through a 3 year debenture from the Alberta Capital Finance Authority (ACFA). As per the *Municipal Government Act*, this project does not require advertisement for a proposed borrowing bylaw as it is not anticipated to exceed 5 years. Until all units are sold, a short term borrow of up to three years would be incurred throughout the duration of the construction period by the Town of Banff. Interest incurred will be recovered through the sale of the units.

The impact of this debenture on the Town's debt capacity is forecasted in the chart below:

Principal Amount - \$13,144,000				
Interest Rate (as of September 15, 2020) – 0.681%				
Term	Project Cost	Annual Debt Payment	Total Interest Charges	Final Project Cost
3 Years	\$13,120,000	\$4,425,623	\$156,870	\$13,276,870

The following table outlines the estimated unit sale prices of this housing project per unit type. On 2020 September 25, Administration pursued a market appraisal for the proposed units. The finding of the report are included in the table below.

Estimated Unit Sale Prices

Unit Type	Unit size	Number of units	Estimated unit sale price	Assessed market value (September 28, 2020)*	% below market
1 bed/1 bath	550sf	12	\$ 294,997	\$450,000	34%
1 bedroom +den/1 bath	715sf	1	\$ 383,496	\$510,000	25%
1 bed loft/1 bath	700sf	4	\$ 375,450	\$510,000	26%
2 bedroom /1 bath- BF	840sf	2	\$ 450,541	\$560,000	20%
2 bedroom/2 bath	840sf	7	\$ 450,541	\$570,000	21%
2 bed loft/1 bath	1000sf	3	\$ 536,358	\$610,000	12%
2 bedroom loft/1 bath (corner)	915sf	1	\$ 490,767	\$610,000	20%
3 bed/2 bath	925sf	1	\$ 496,131	\$620,000	20%
3 bed loft/2 bath (corner)	1020sf	1	\$ 547,085	\$665,000	18%
3 bedroom loft/2 bath	1220sf	1	\$ 654,356	\$695,000	6%
Total units		33			

*Estimated appraisal values provided by Accumark Appraisals (see Attachment 2 for full report).

Comparable Sales Activity

The following two tables depict sales activity within the Banff market since March 2020 to provide insight into the impact of the pandemic on home sales.

Recent Comparable Apartment Condominiums for sale in Banff from March 2020

Address	#bedrooms	# bathrooms	Sale Price	Date listed/sold	Date sold
Banff Ave	4	3	\$629,000	06/22/20	09/09/20
Marten Street	2	2	\$419,000	06/23/20	07/24/20
Beaver Street	2	1	\$479,000	07/20/20	08/06/20
Marten Street	2	2	\$519,900	07/20/20	08/19/20
Beaver Street	2	1	\$449,900	07/30/20	08/28/20

Banff Housing Corporation sales - from March 2020

BHC Housing sales from March 2020	Unit size	Listing price	Price to buyer	Date listed	Date sold
Sulphur Court	3 bed/3 bath	\$817,750	\$661,559	06/15/20	08/14/20
Fairholme Place	2 bed/2 bath	\$763,200	\$498,522	04/25/20	09/01/20
Sale pending (equity share unit)	3 bed /3.5 bath	\$837,000	\$640,305	05/25/20	10/01/20
Sale pending (price restricted unit)	1+ loft/2 bath	\$432,915	\$346,332	06/10/20	10/01/20

Sales Strategy and Anticipated Timeline

The Banff Avenue development will be the first for-sale apartment housing project developed by the Banff Housing Corporation, and is intended to serve a market segment that Administration believes is currently under served. A comprehensive marketing and sales strategy will be developed, including documenting the story behind the build, social media ads, an interactive website, two-dimensional floor plan models and rendered virtual tours of each dwelling.

Buyers must meet the following qualifications:

1. Must apply/register with the BHC Banff Ave development sale list.
2. \$250 application fee (applied to the purchase price if successful and refunded if unsuccessful)
3. Must be a Canadian Citizen, Permanent Resident, or have a valid Canadian work permit.
4. Must meet Banff National Park eligible resident criteria.
5. Must be tenant's primary residence – no sub-leasing allowed.
6. Must meet one of the following circumstances:
 - a. Working or contracted to work a minimum average of 30 hours per week in Banff for a Banff licensed business.
 - b. Self-employed Person: working in Banff with a valid Town of Banff business license a minimum of 30 hours per week.
 - c. Banff history: Individuals currently living in Banff who are retired or in receipt of disability benefits who have had three consecutive years of Banff employment history working an average of 30 hours per week or five consecutive years of Banff residence.
7. Must have worked in Banff six consecutive months prior to application date.

Pre-purchase and deposit commitment

Potential buyers will be asked to commit to the purchase of a unit before the completion of the build and occupancy, typically 6-8 months prior to completion. Historic sales for similar projects within the Banff Housing Corporation portfolio indicated all units were sold within three months of release. Buyers will be asked to provide a deposit of \$5000 for their selected unit.

Project Demand Analysis

Banff Ave Housing Survey results:

The Banff Avenue Housing survey was developed and issued to the community in 2020 July to help gauge interest and demand for a price restricted, for purchase housing development on Banff Avenue. Although community consultation on demand for this type of housing development was done prior to Council directing Administration to proceed with an RFP process, Administration felt it was important to engage the public again on potential interest in this project, given the current pandemic and its potential to have changed personal circumstances regarding home acquisition.

The survey asked respondents to identify the size and type of unit they were interested in, their gross household income and what they felt they could afford to spend on a home. Information was also gathered on COVID impacts to survey respondents and anticipated timelines for purchase. In total 383 surveys were completed. Some findings to note include:

- The majority of survey respondents (59.5%) indicated they could afford a unit priced between \$250,000 and \$450,000;
- 17.5% of respondents indicated they were able to afford between \$450,000 and \$650,000;
- 30.1 % of respondents were very confident, and 29.6% of respondents were somewhat confident in their financial ability to purchase a home within the next 24 months considering COVID implications; and
- 14.9% of respondents were not confident at all, and 9.4% of respondents were somewhat not confident in their financial ability to purchase a home within the next 24 months considering COVID implications.

The following table identifies survey responses pertaining to unit demand and a breakdown of respondents who indicated their desire and ability to purchase within the next 24 months. All of the 173 respondents who can afford to purchase based on income met the eligible residency requirements and did not anticipate their financial circumstances to change.

Banff Avenue Affordable Housing Development Survey Summary

Unit Type	Number of respondents who expressed desire to purchase	Number of respondents who want to purchase within the next 2 years and can afford to do so based on income	Unit availability in submitted design
1 bedroom	34	21	12
1 bedroom plus loft	67	27	5
2 bedroom	151	78	13
3 bedroom	110	47	3
Totals	362	173	33

Historical Housing Demand Survey Information

Although the COVID-19 pandemic may have rendered the results of our past engagement endeavors to be irrelevant to this decision making process, Administration has included a summary of them for review and historical context.

Results Summary from Town of Banff Rental and Home Ownership Surveys 2015-2019

The following table summarizes the findings of two surveys that have been issued since the tactics of the Community Housing Strategy were first implemented in 2015. These surveys provide resident input related to housing demand and interest in specific housing products.

<p>2018 First Home Buyers survey</p>	<p>501 respondents 74% currently renting and looking to enter home ownership market. 85% between 20-50 years of age</p>	<ul style="list-style-type: none"> • Desired size of unit- 2+ bedrooms. • 40% -extremely important to buy in next 2-4 years. • 82% have considered leaving Banff to purchase a home. • 26% can afford \$200-300,000 • 26% can afford \$300-400,000 • 20% can afford \$400-500,000
<p>2019 BHC Home Buyers/Sellers survey</p>	<p>27 respondents from 40 home sales between 2016-2019 Majority indicated they could not have bought without BHC equity share.</p>	<ul style="list-style-type: none"> • 58% had family assistance for down payment • 47% have roommates to offset costs • 27% pay more than 30% of gross household income • 70% did not feel the BHC offered affordable housing options to new buyers. • Gross household income- \$80-140,000.

Timeline to October 2020 for Banff Ave Affordable Housing Development:

- November 2019-Scope of work determined. Completed site survey and geotechnical assessments;
- January-May 2020 - Expression of Interest released- Architects and Builders shortlisted;
- June-August 2020 Request for Proposals from shortlisted design build teams submitted and reviewed;
- September 2020 – Successful design build team selected; and
- October 2020 - Council to give final direction on whether to proceed with submitted project.

Proposed timeline should Council proceed with housing project:

- October-November 2020 environmental Screening, Development Permit application;
- December 2020 Approving Authority review;
- January 2021 – RFD Borrowing Bylaw;
- January- February 2021 – Potential appeal period and/or development permit issued, if approved;

- February- March 2021 Building permit issued and start of construction;
- March/April 2021 – excavation and deep foundations (expected timeframe for construction is 18 months); and
- Fall 2022- Occupancy

The timeline is based on the goal of accelerating the design and approval period as part of the Town’s plan to mitigate substantial groundwater risk. Should unforeseen delays occur during the design or approval process, the Town and our preferred design-build team may elect to delay construction start until the end of 2020 August to avoid underground construction during the highest ground water levels in the spring/summer. Should construction start date not occur until 2021 August, occupancy would be estimated to occur in early 2023.

CONCLUSION

Banff’s Community Housing Strategy has laid out a clear vision for Banff’s housing future, which includes having a robust range of housing options so that each Banffite can find a place to call home. It encourages diversity in our neighbourhoods as well as our community and embraces the concept of “appropriate housing” as critical to the overall state of wellbeing for the entire community. It acknowledges that affordability is a key factor in creating quality of life for our residents.

The need for affordable housing, both rental and ownership in Banff has been evident for many years. The 2012 Banff Housing Needs study, the Community Housing Strategy and the 2018 Bow Valley Regional Housing Needs assessment have all highlighted a significant shortfall in available units in Banff. In July of 2019, the Town of Banff updated the data from the 2012 housing needs study using a similar methodology. This recalculation took into consideration the presence of a healthy vacancy rate and at that time identified the current shortfall for all housing unit types in Banff to be approximately **723** units. Demand for below market home ownership opportunities have also been identified, through two Town of Banff surveys. In the 2018 survey, 371 respondents indicated they were currently renting but were interested in home ownership, and the most recent Banff Ave Housing Development Survey conducted in July 2020 indicated 359 respondents were interested in home ownership. Additionally, the 2018 Bow Valley Housing Needs Assessment results indicated a shortfall of 124 affordable home ownership units.

The current BHC portfolio includes price restricted properties and to date the demand for these units has been high. The success of the Peyto Place apartment complex that has consistently experienced low turnover and a high BHC Registered Resale List response when units are for sale is indicative that more of this product mix within the BHC portfolio would help to meet the current housing demand. To provide a recent example, a price restricted apartment in Peyto Place recently listed in June 2020 was on the market for a total of 16 days, had 9 viewings and sold to the 1st person on the resale list. Canmore Community Housing have indicated a similar response for their PAH offerings with demand remaining consistently high. This type of interest expressed recently, coupled with the results of the recent survey have provided Administration with a greater level of confidence that a Banff Avenue home ownership project would be marketable and appealing to potential buyers.

The Banff Ave development would create 33 price restricted units that would help to address the anticipated demand for affordable home ownership. The development is based on a cost recovery model that is not anticipated to require tax payer support. As with previous BHC price restricted home ownership projects, units would be pre-sold to eligible buyers on the BHC registered resale list. Within this price restricted model, an equity component would be developed based on cost to build and the appraised value of the units.

As with any housing development there is always a level of risk in a build-for-sale housing project. This Report contains information gathered from community surveys, and recent home sales data to ascertain the housing demand in Banff during this unprecedented time. In doing so, this Report attempts to consider the uncertainty of future COVID-19 impacts on residents and what the future looks like post pandemic. There is no question that the pandemic has created a level of economic uncertainty within our community, even though there is still optimism among residents who have indicated a desire to invest in this type of housing product. The timeframe for this project sees future owners of this development occupying units in the fall of 2022, which is two years from now. While the impacts of COVID-19 are difficult to currently quantify, Administration is of the opinion that the fundamental underpinnings of the Banff home ownership market are still strong.

There are two schools of thought as it pertains to this project. One is that the level of risk is just too high at this point in time, and that plans for construction should be delayed. The other is that even with the uncertainty of the pandemic, we have examples of recent house sales in this price point, we have the experience from this past summer that showed Banff is still a highly sought after destination. The first school of thought means we delay the project and that we meet the housing need in a later year. The second, sees the municipality prepare for the recovery and create the conditions to allow 33 individuals or families the opportunity to own a home when it is hoped that the worst of the pandemic impacts are behind us.

Response Options

Council may:

1. Direct Administration to proceed with issuing Studio North & Lola Architecture a letter of intent to finalize drawings and start the approvals and construction process for a 33 unit affordable, for purchase housing development on 338-342 Banff Avenue;
2. Direct Administration to return to Council with a borrowing bylaw for the construction of 338-342 Banff Ave affordable housing development; or
3. Direct Administration to not proceed with the Banff Avenue Housing Project at this time.

Internal Resources

As was the case with T'nu, this project will be overseen by the Town of Banff Housing Team. This collaborative team made up of Administration from Community Services, Engineering, Planning & Development, and Corporate Services will oversee the design and construction phases of the development. Upon completion, the property will be managed by the Banff Housing Corporation.

Council Strategic Priorities/ Banff Community Plan

The Banff Community Plan directs the Town of Banff to *supply a mix of affordable housing options to ensure those working in Banff have a place to live. It encourages the town of Banff to maintain and respect neighbourhood characteristics that personifies and reinforces Banff's sense of place and ensure high standards of design for both building and landscape architecture.*

Council’s Strategic Priorities 2019-2022

Facilitate the development and management of price-reduced rental and purchasable housing.

Banff Community Housing Strategy – Key Findings

There is an undersupply of both affordable rental housing and affordable homes to purchase, along with an emerging undersupply of staff accommodations

ATTACHMENTS

Attachment 1 - 2020 Banff Avenue Housing Development Survey

Attachment 2 – Market Value Appraisal for Proposed Housing Development - Accumark

Submitted By: On Original
Sharon Oakley, Manager, Housing
Sustainability

Reviewed By: On Original
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