

# REQUEST FOR DECISION

## Subject: Banff Affordable Housing Project Options



Presented to: Council  
Submitted by: Sharon Oakley, Manager Housing  
Sustainability and Alison Gerrits, Director,  
Community Services

Date: July 15, 2019

Agenda #: 8.6

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### RECOMMENDATION

That council direct administration to return with a detailed scope of work report to proceed with:

- 1) An affordable rental project on Cave Avenue,
- 2) An affordable entry level price restricted home ownership project on Banff Avenue

### BACKGROUND

#### Reason for Report

The intent of this report is to seek council direction with respect to the Town of Banff's next affordable housing project. The Banff Housing Corporation currently has access to parcels of land on which to build affordable housing on Cave Avenue and Banff Avenue. At the July 17<sup>th</sup>, 2017 council meeting, administration was directed to bring information to council on the financial viability of an affordable housing project on Cave Avenue, and has also prepared information on various housing data and need projections, as well as an option for a potential housing development on Banff Avenue.

#### Summary of Issue

Now that Ti'nu is built and occupied, administration is seeking direction regarding which project to undertake next related to council's priority of affordable housing in Banff. This report outlines Banff's current housing need and demand by way of sharing findings from the recent Community Social Assessment, presenting a current housing calculation and projected future unit shortfall to 2027, sharing findings from the Bow Valley Regional Housing Needs Assessment, Alberta Rental Vacancy Report, and various rental and home ownership surveys conducted in Banff. It is hoped that this information will assist council in determining which project to undertake next.

### Housing Need and Demand

#### 1. Community Social Assessment Findings related to Cost of Living

The recently published Banff Community Social Assessment identified Cost of Living as being the most significant challenge for Banff residents. The cost of housing (both rental and ownership), was identified as the greatest contributor to this challenge. Statistics published in the report validated these qualitative findings and include the following:

- 34% of renter households and 24% of owner households spent in excess of 30% of their total income on shelter costs in 2016 – this was higher than in Jasper, Canmore, Alberta and Canada.
- Rental rates for 1, 2 and 3 bedroom apartments increased an average of 37% over the five year period 2011 to 2016.
- Banff's median multiple ratio of median house price to median annual household income was 7.4 (a rating of 5.1 or higher is defined as “severely unaffordable”) – this was slightly higher than the MD of Bighorn, Jasper and Canmore and moderately higher than Okotoks and Cochrane

- The most recently published rental vacancy in Banff was 0.6% in 2017 – previous to this, it had been 0% going back to 2013. This compares to a rental vacancy rate of 11.7% in Alberta. Healthy vacancy is between 3 and 5%.
- The percentage of Banff households living in “unsuitable dwellings”, defined as overcrowded due to an insufficient number of bedrooms based on the National Occupancy Standard was 11.6% in 2016. This percentage was higher than all other jurisdictions that were compared (Canmore, Jasper, Whistler, Alberta and Canada). Among Banff rental households only, this percentage is closer to 16%.
- Median family income in Banff in 2016 was \$91,670
- Median female led lone parent family income in Banff in 2016 was \$46,298
- Median income for singles in Banff was \$27,310
- 20% of those who filed taxes in 2016 saw incomes after tax that qualified for the Low Income Measure (LIM-AT). This increased from 17% in 2011.

The findings from the Community Social Assessment demonstrate that those with the greatest financial vulnerabilities include lone parent families, especially those that are female led, and single, unattached individuals. Renters are also more likely to experience greater vulnerability related to housing quality, affordability, and accessibility than owner households in Banff.

## 2. Town of Banff Projected Housing Shortfall Calculations

The 2012 Banff Housing study created a baseline projection for the projected housing shortfall of between 455-730 units by 2022. Banff administration has used a similar approach to determine projected housing shortfalls to 2027. The following tables takes into account information from the 2017 municipal census, construction and occupancy permit information, current housing suitability (i.e. overcrowding percentages), population growth projections, desired vacancy rates and desired person per dwelling ratios.

	Permanent Population	Temporary Population	Total
2017 Banff Municipal Census Population Count *	8865	793	9658
Municipal Census Average person/dwelling in 2017	2.57	3.1	
Total Dwelling Units Counted in 2017 census			3798
Total number of dwelling units issued occupancy permits since 2017 municipal census up to Dec 2018			173
Total projected dwelling units required in 2019 to house current population (without overcrowding)			4279
Current housing unit shortfall in 2019 (without overcrowding)			<b>308</b>

\*these are Town of Banff reported numbers, not the provincially accepted ones

### Town of Banff future housing need projection formula

	Permanent Population	Temporary Population	Total
Population projections (based on 1% growth) to 2027	9792	876	10,668
Desired average person/dwelling (to address overcrowding)	2.27	2.74	
Total estimated dwellings required in Banff in 2027	4314	320	4634

	Less 2017 Census Dwelling Total	- 3798
	Less units occupied since 2017 census up to Dec 2018	-173
	= Total units required in Banff by 2027 (if vacancy remains similar to today)	<b>663</b>
	(or 74 units per year 2019-2027)	

So, while the total units required by 2027 based on future growth and to address current overcrowding is 663 units, the Community Housing Strategy speaks to a desired future vacancy rate of 3%. Based on this stated future desire, and recognizing that the municipal census states that approximately 60% of households rent, a rough estimate calculates that approximately 60 additional units beyond the 663 would be required to achieve a healthy vacancy rate.

Therefore, the total additional units required in Banff by 2027 in order to achieve a 3% vacancy rate, as per the housing strategy goal would be approximately **723 units** (or about 80 units per year from 2019).

### 3. Bow Valley Regional Housing Needs Assessment Findings

The recent Bow Valley Regional Housing Needs study also conducted a calculation of housing unit need, however predominantly focused on affordable housing need across the Bow Valley, including Banff. The methodology used for this study projected that 513 **affordable** housing units would be required in Banff by 2027. Based on the BVRH findings, the majority of Banff's future housing developments should focus on affordable/below market units to address resident needs.

### 4. Alberta Apartment Vacancy Rental Survey

The Alberta Apartment Vacancy Rental Survey is conducted annually and is published in the summer each year. Banff's vacancy rate was .6% in 2017. With the exception of a .3% vacancy observed in 2015, all other years going back to 2013 has been 0%. The 2018 vacancy rate for Banff had not yet been published at the time of writing this report.

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

The following table summarizes the findings of four 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.

Survey/Study	Key Findings	Considerations
<b>2015 Rental Housing Survey</b>	<b>1127 Respondents</b> 85% between 23-50 years old. 83%- Gross household income between \$20,000-50,000	Desired rental unit size <ul style="list-style-type: none"> <li>• 7% -studios</li> <li>• 24% -one bedroom</li> <li>• 41%-two bedroom</li> <li>• 23%- three bedroom</li> <li>• 3.5% four bedroom</li> </ul> Pet friendly, affordable, outdoor space, kitchens with ovens, balconies and storage
<b>2017 Cave Ave Survey</b>	<b>343 Respondents</b> *165 respondents indicated they would be a prospective tenant on Cave Ave. 53% gross household income-\$20,000-60,000	Desired rental unit size <ul style="list-style-type: none"> <li>• 9%- Studio</li> <li>• 33%- One bedroom</li> <li>• 36%-two bedroom</li> <li>• 22%-three bedroom</li> </ul>

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

## Housing Project Options

### Option #1 – Cave Avenue

The Cave Avenue land parcels are located at 145-155 Cave Avenue and were part of Parks Canada land release that occurred in 2015 for the purpose of constructing affordable rental housing in Banff.



### **Cave Avenue Site Analysis**

As per Council motion COU17-143 made at the July 17, 2017 meeting, administration has completed the initial work specific to geotechnical investigation, and slope stability analysis in order to determine the initial viability of the construction of affordable housing on this site. The following is a summary of the findings of that work:

- The negotiated land parcels from Parks Canada on Cave Ave (145-155 Cave Ave) are on the west side of Cave Avenue on moderately to very steep slopes.

- Development will need to be concentrated on the flatter sections closer to Cave Ave, of which the first 6m are compulsory front yard setback. A large proportion of the buildable site is not permissible under the LUB.
- Geotechnical assessment (10 test holes drilled) was conducted by Almor Services, including a slope stability analysis. Summary conclusions of this assessment indicate the development will likely encounter saturated soils and groundwater within the foundation/parkade/utility services depths, and this will result in increased expense and potential Parks Canada approvals for dewatering during construction.
- Slope stability analysis recommends avoiding building on the steep slopes entirely – existing steep slopes are marginally stable. If construction goes closer than 3m from the toe of the existing steep slopes, it is recommended that further analysis be conducted to ensure the foundation designs confirm that building to the toe of the slope is feasible
- Soils are generally the same or in some cases weaker in engineering properties than Ti'nu soils.
- Other preliminary work - topographical survey and an initial assessment of utility servicing requirements. Commissioned Michael Hay to provide some environmental/energy related goals or potential goals for the build
- Rock was not found at testing sites on Cave Avenue or on Ti'nu but rock breaking on Cave Ave is a possibility and some allowance (of a similar scale to Ti'nu) has been made within the estimate.
- Generally it's a more difficult site to build on than Ti'nu.

### **Cave Avenue Land Use Considerations**

This parcel of land is located in the Residential Cave Avenue District (RCA). The purpose of this district is to provide for low to medium density residential development, while preserving the forest edge along the south side of Cave Avenue. Permitted uses include duplex, triplex and four-plex housing. Discretionary uses include row and stacked row housing, and accessory dwellings. In addition to the Land Use Bylaw regulations, the Cave/Spray/Kootenay Area Redevelopment Plan (ARP), adopted by council in 1995 sets out a policy framework for the redevelopment of Cave Avenue, and noted that "...condominium townhouse developments are the preferred redevelopment option". This policy direction is reflected in several row housing developments on Cave Avenue since the mid-1990's.

### **Cave Avenue Unit Estimation**

The analysis of the site has allowed us to determine an estimate of units. Based on the developable sections of the site, we have calculated a maximum floor area of 47,500 feet. Based on a mix of studios, one bedrooms and three bedroom units, which would occupy approximately 42,105 of the total Floor Area, it is estimated that the site could potentially house approximately 81 units, broken down into 32 studios, 32 one bedrooms, and 17 two bedroom units. Based on an estimated cost to build of \$400/sq. foot (Ti'nu was \$386/sq. foot) including all offsite landscaping, service connections, testing and soft costs, the total estimated project cost is \$16,842,000 or \$207,926 per door. It is important to recognize that these are early estimates at this point. In the case of the Ti'nu project, the bid team that was ultimately selected to design and construct Ti'nu was able to creatively add more units to a more challenging section of the site, which resulted in a lower cost per door than was originally estimated. The same could occur for this site, depending on what submissions are received for this project. At this point however, based on the higher cost per square foot being used to acknowledge the more difficult building site, and the lesser total number of units being proposed, coupled with a borrow of \$16.8 million dollars over a 30 year term, the current projection shows the Cave Avenue project with an annual operating deficit.

The following table depicts a side by side comparison of the proposed Cave Avenue operating budget with projected 2019 year end actuals for Ti'nu based on its first twelve months of operation. As seen, the Cave Avenue affordable rental project is projected at this point to incur a \$115,000 annual operating deficit based on a 2.2 million dollar capital project shortfall. The Ti'nu project is however generating an annual operating surplus of close to \$500,000 which will be directed to the Community Housing Reserve, as per the stipulation in the Provincial contribution to that project, and could be used to support the Cave Avenue project on an annual basis. Alternatively, should council choose to pursue the Banff Avenue ownership project first, the Community Housing Reserve would continue to see annual contributions made from the Ti'Nu surplus, and would have a balance sufficient to cover most if not all of the capital project shortfall by the end of 2023.

### Proposed Cave Avenue Operating Budget as compared to Ti'nu Housing Development

	Ti'Nu	Cave Budget
<b>Revenue</b>	<b>(based on actuals)</b>	
Rent	\$ 1,768,896.00	\$ 1,120,932.00
Car share	\$ 3,530.00	\$ -
Laundry	\$ 29,730.00	\$ 17,838.00
Interest	\$ 10,781.00	\$ 4,500.00
<b>Total</b>	<b>\$ 1,812,937.00</b>	<b>\$ 1,143,270.00</b>
<b>Expenses</b>		
Wages & Benefits	\$ 180,000.00	\$ 60,000.00
Security	\$ 36,717.00	\$ 25,000.00
Property Tax	\$ 65,356.00	\$ 44,462.88
Utilities (electricity, gas, sewer, water)	\$ 173,000.00	\$ 108,291.00
Laundry	\$ 6,615.00	\$ 3,970.00
Car Share expenses	\$ 10,469.00	\$ -
Operating costs (legal, repairs, insurance, ads, office etc)	\$ 97,717.00	\$ 58,630.00
Debenture Interest/Principal	\$ 473,261.00	\$ 544,637.00
Amortization	\$ 218,170.00	\$ 280,700.00
<b>Total Expenses</b>	<b>\$ 1,261,305.00</b>	<b>\$ 1,125,690.88</b>
<b>Net Income</b>	<b>\$ 551,632.00</b>	<b>\$ 17,579.12</b>
Amortization	\$ 218,170.00	\$ 280,700.00
Debenture Principal	\$ (176,738.66)	\$ (338,437.00)
Building Reserve	\$ (105,000.00)	\$ (75,789.00)
<b>Unrestricted Surplus</b>	<b>\$ 488,063.34</b>	<b>\$ (115,946.88)</b>

### Projected annual contributions and balance - Community Housing Reserve

Year	2018	2019	2020	2021	2022	2023
<b>Contribution</b>	102,973	488,063	460,000	460,000	460,000	460,000
<b>Balance</b>	102,793	590,856	1,050,856	1,510,856	1,970,856	2,430,856

**Note:** Administration will strive to align the rental rates for Cave Avenue and Ti'nu. However, in circumstances where for example, unit sizes may be larger, an adjustment in rental rate (i.e. per square foot) would be expected. The above estimates are based on a similar rental rate structure and percent below market to the Ti'nu project.

### Cave Avenue Summary

The Cave Avenue rental project is viable, however at this stage, based on the estimated number of units and cost per unit of construction, the current shortfall of capital funds in order to cover 100% of the annual operating costs is approximately 2.3 million dollars. This translates to an annual operating deficit of \$115,000. In order to ensure revenues would cover expenses, and not be tax supported as per council's direction, the Cave Avenue rental project would require an annual draw from the Community Housing Reserve Fund (established when the Ti'nu provincial funding was acquired) until the project becomes sustainable (i.e. once the loan is paid off).

Or, should Banff Avenue be selected first, a one-time cash injection from the Community Housing Reserve could be applied to the Cave Avenue project in approximately 4 years time to offset most if not all of the capital project shortfall. It is projected, as indicated above, that this reserve fund would have enough to cover this shortfall by the end of 2023, thereby not requiring an annual draw from the reserve fund to cover operating expenses. As shared with council at the June 24<sup>th</sup> meeting, the intention of the original provincial investment in Ti'nu was to allow for subsequent projects to become viable with the establishment of a dedicated reserve for future housing projects.

The total capital project shortfall could, as indicated above, lessen depending on the final design and units achieved on site, as well as the final cost per square foot of construction. If this were the case, the project could end up with a lesser draw from the Community Housing Reserve than estimated here. Administration can also continue to pursue other potential funding options, specifically with the Canada Housing and Mortgage Corporation during the project development phase, as it did during the Ti'nu project. If this is successful, the draw (either annual or one time cash infusion) from the reserve would either be lessened or the need could be eliminated entirely.

### Option #2 - Banff Avenue

The two parcels of land on Banff Avenue were purchased by the Banff Housing Corporation for the purpose of future housing development in December of 2013. The address of the site is 338/340 Banff Avenue. Currently, there is a house on the 338 parcel that the BHC rents on a month to month lease.



### Banff Avenue Land Use Considerations

This parcel of land is located in the Residential Banff Avenue District (RBA). The purpose of this district is to provide for apartment housing compatible with the commercial accommodation developments on the opposite side of Banff Avenue, and the lower density residential area to the east. Permitted uses include: Apartment housing and four-plex housing. Recent redevelopment

within this land use district has focused on apartment rental housing, such as Birchwood Apartments, Banff Caribou Beaver Street Apartments, and 404 Beaver Street.

### **Banff Avenue Unit Estimation**

The maximum floor area on the site is 18,057 square feet. Based on the success of the Peyto Place apartments on Bear Street, the proposed unit mix for entry level home ownership would include 2 and 3 bedroom units of approximate sizes of between 700 and 900 square feet). At this size and unit mix, it is projected that 29 units could be constructed. Based on a total cost per square foot of \$400, and developable floor area of 18,057, and the initial land cost of 1.3 million, the total projected cost to build is \$8,526,416 or an approximate cost per door of \$294,014.

### **Banff Avenue Summary**

Based on potential home buyer demand survey results, and an FAR calculation on the estimated number of units possible at this site, administration believes that an entry level home ownership project is more suitable for the Banff Avenue location than a rental project. Given that there is demand for this type of product (see survey results), and based on the success of the Peyto Place apartment complex (extremely low turnover and high RRL list response when units are listed), administration believes a Banff Avenue home ownership project would be successful and would help to address the demand for affordable home ownership in Banff at a price point that would be appealing to potential buyers.

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. Until all units are sold, a short term borrow of approximately 7.2 million would be incurred throughout the duration of the construction period by the Town of Banff for 18 to 24 months. Interest incurred will be recovered through the sale of the units.

### **Side by side comparison – Cave Avenue/Banff Avenue**

	<b>Cave Avenue</b>	<b>Banff Avenue</b>
Max Floor Area	47,500 square feet	18,057 square feet
# Studios	32	0
# 1 Bedrooms (450 sq. ft.)	32	14 (6300)
#2 Bedrooms (700 sq. ft.)	0	15 (10,500)
#3 Bedrooms (900 sq. ft.)	17	0
Total number of units	81 rental	29 ownership
Projected cost to build	\$16,842,000	\$7,222,800
Land Cost	0	1,303,616
Total project cost	16,842,000	8,526,416
Average cost per door to build	207,926	\$294,014
Annual deficit (draw from housing reserve)	\$115,000	0
Projected borrow and term	\$16,842,000	Short term borrow of 7.2 million and repayment upon sale of all units
Term	30 years	12-24 months

### **Proposed Timeline for the development of Cave Avenue or Banff Ave project**

Should council direct administration to return with a scope of work on either Cave Avenue or Banff Avenue, the RFD would be presented in the fall of 2019. It is anticipated however that construction on either project would begin in the spring of 2020 with a proposed completion date of fall of 2021.

Community Consultation	March 2017 start (and ongoing)
Site survey, geotechnical and slope stability analysis	Spring 2017- Spring 2019
Council determines project specifics	Sept-Dec 2019
RFD Financial forecasting	Sept-Dec 2019
Expression of Interest/RFP	Sept-Dec 2019
Council Approves costing, Design-build contract awarded	Jan-April 2020
Environmental Screening- DP application	Jan-April 2020
Municipal Planning Commission review	Jan-April 2020
Development permit issued if approved	Jan-April 2020
Building permit process	Jan- April 2020
Start of construction	September/October 2020
Completion	Winter 2021

#### **Internal Resources:**

The project will be overseen by the Town of Banff housing team. This collaborative team will oversee the design and construction phases of the development and 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 (2015-2018) state that *Banff's continued success relies on a strong healthy community, and a high quality of life for employees and their families who provides the services. Appropriate and comfortable housing for all members of the community is the essential ingredient in providing outstanding customer service.*

Banff Community Housing Strategy – *includes 63 specific actions within five key themes.* This project fits within the “Rentals” section which identifies a need to grow Banff's rental portfolio, and in “Partnerships and Collaboration”, which highlights the need to partner with Parks Canada for access to land within town boundaries. This strategy also speaks to increasing Banff's rental vacancy rate a more healthy range of between 3 and 5 percent.

#### **Communication:**

Community consultation will occur prior to the design and construction phase. The Town will share information on the location of sites, land use bylaw, zoning designation, design guidelines and terms of release from Parks Canada. Town of Banff housing team staff will be available for any questions relevant to the stage of development.

#### **Options:**

1. Direct administration to return with a detailed scope of work report to proceed with an affordable rental project on Cave Avenue.

2. Direct administration to return with a detailed scope of work report to proceed with a price restricted entry level home ownership project on Banff Avenue.
3. Direct administration to return with further information.
4. Take no action at this time

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