

## **City of Nelson**

### **Affordable Housing Report 2018**

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#### **Introduction**

Further to Council's request in July 2016, the purpose of this report is to:

1. Provide an update on the status of the 20 strategies identified in the *Housing Strategies Update – October 2014*;
2. Identify, for Council's review, affordable housing incentives based on a best practices review of the affordable housing policy and practice of other BC municipalities; and
3. Identify, for Council's review, criteria to be used by Council and staff in the potential allocation of funding to affordable housing projects.

This report has been prepared based on an evaluation of current City of Nelson affordable housing policy and practice, as well as a best practices review of affordable housing policy and practice of other BC municipalities including Kamloops, Kelowna, Mission, Coquitlam and Courtney.

#### **Background**

Housing affordability in Nelson, as across Canada, continues to be a serious concern for communities. Although the Province has recently refocused their attention and is now providing significant funding for affordable housing projects, City Council continues to receive requests for funding for affordable housing projects.

Although there is an Affordable Housing Policy which identifies an Affordable Housing Reserve Fund and how to allocate funding for projects, Council requested a review of the different ways that the City can support affordable housing projects, as well as detailed criteria for applicants to achieve that support.

Over the last number of years housing affordability has become a severe problem throughout British Columbia. The City of Nelson (and area) is no exception. Statistics Canada data from 2006, 2011 and 2016 shows the core housing need to be 18%, 13.5% and 14% respectively for those years in Nelson and area. Therefore, in 2016, 14% of households were identified to have a core housing need.<sup>1</sup> A household is considered in core housing need if its housing does not meet one or more of the adequacy, suitability or affordability standards and it would have to spend 30% or more of its before tax income to access local housing that meets all three standards.

Within the jurisdiction of local government in British Columbia, requirement for the delivery of affordable housing policy is limited to the provision of policy and related regulations as

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<sup>1</sup> Stats Canada 2016, Core Housing Need City of Nelson

described in the *Local Government Act*. The requirements for Affordable Housing are identified in section 473(2), which states; “*An official community plan must include housing policies of the local government respecting affordable housing . . .*”. The municipality is not required to substantially provide other services towards affordable housing issues within the community.

Although there is no requirement under provincial legislation, the City has undertaken significant action over the last 10 years towards the support of affordable housing:

1. Completed an *Affordable Housing Strategy* which includes an initial strategy undertaken in 2010 and an update in 2012;
2. Implemented an affordable housing policy which:
  - i. established an Affordable Housing Reserve Fund;
  - ii. provided direction for staff to encourage developers to contribute on a per door basis to the Fund; and
  - iii. provided staff with direction to encourage developers to provide affordable housing within their developments (for developments of 20+ units);
3. Established a Housing Committee;
4. Negotiated with developers to achieve voluntary contributions to the Affordable Housing Reserve Fund (the City has received between \$250 per door to \$1200 per door as part of multi-unit rezone applications; currently there is \$74,629 in the Fund);
5. Provided permissive tax exemptions for affordable housing providers (these exemptions are approved by Council on a four year cycle);
6. Supported development that achieved supportive housing classification from the Province. Providers of affordable housing have the option of applying to the Province for a supportive housing classification which effectively reduces the property taxes paid to the City to nil. There are a number of buildings in the City that have this designation. This policy helps the housing provider in its long-term operational costs, however it impacts City tax revenue and transfers costs to the remaining tax-payers;
7. Revised regulatory bylaws to encourage increased density and intensification in built-up areas and provide more affordable housing options:
  - i. increased density in residential areas;
  - ii. reduced minimum lot sizes;
  - iii. required mandatory suite-ready development in the R3 zone;
  - iv. provided for a reduction in annual water and sanitary fees by 75% for long-term rentals;
8. Developed short-term rental regulations in order to preserve long-term rental housing stock;
9. Revised regulations and are developing pre-approved designs to encourage more laneway housing; and
10. Completed Phase One of a vacant land study with the goal of providing Council with options for affordable housing sites or potential revenue for the Affordable Housing Reserve Fund.

## A. STATUS OF HOUSING STRATEGIES UPDATE – OCTOBER 2014

The *Housing Strategies Update – October 2014* identified the need to deliver affordable housing for six priority groups within the City of Nelson:

1. At Risk Youth and Young Adults (20 - 27 units);
2. Persons with disabilities (30 - 45 units);
3. Low Income Seniors – Rural Seniors (30 - 50 units);
4. Low Income Families (25 - 50 units);
5. Persons with Mental Health and Addictions Issues (5 - 8 units); and
6. Homeless and Risk of Homelessness (8 - 12 units).

In order to support delivery of housing for these groups as well as for affordable market housing in general, 20 housing strategies were identified. These strategies are highlighted below and include the current status of each respective strategy. Overall, six of these strategies are within the realm of responsibility of community agencies to undertake, and the remaining 14 strategies fall under the City's responsibility. Of these 14 strategies, the City has completed three, six are underway, four have not yet been started (however their benefit to affordable housing currently is minimal due to the lack of multi-unit rezones), and one strategy is not started and not recommended for implementation.

The 20 strategies break down into four types of actions or opportunities where local government or agencies can impact affordable housing:<sup>2</sup>

- Fiscal Actions (F) – Cash incentives/fee reductions/taxation initiatives. These are typically initiated by the City of Nelson.
- Regulatory Actions (R) – Zoning Bylaw changes and other regulatory changes or amendments to existing bylaws that may lead to lower costs for development. In this regard, there needs to be a discussion on short-term vs. long-term costs to the City. Additionally, costs are not just the development costs, but other costs that may be associated with new development. These are typically initiated by the City of Nelson.
- Education & Advocacy (E) – Providing information and assistance to groups seeking to develop affordable housing. These types of action are usually conducted by partners or groups outside the municipality especially in municipalities that do not have extensive resources and in-house expertise. Typically City staff have a more limited role, particularly in smaller cities where staffing is less specialized. Educational and advocacy roles typically fall to groups and organizations like the City's Housing Committee, Council, and external agencies such as the RDCK, CBT, BC Housing, CMHC, and affordable housing providers.
- Direct Service Provision (D) – Generally involves agencies other than the City of Nelson such as BC Housing, Nelson CARES, Canadian Mental Health and other housing providers.

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<sup>2</sup> What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities

## **1. Adopt Infill Housing Policy: F.R.E.**

The City has implemented new zoning regulations and servicing user fee reductions to allow for increased density as well as smaller lot sizes:

- increased density in residential areas - secondary suites and/or laneway houses are now permissible on virtually all residential lots
- reduced minimum lot sizes – from 50' to 40' in R1 and down to 25' in R3
- required mandatory suite-ready development in the R3 zone
- provided for a reduction in annual water and sanitary fees by 75% for long-term rentals
- identified infill of vacant R1 lots as a goal in City documents

**Status:** Complete

**Staff Recommendation:** This strategy will require ongoing review over time to ensure optimum uptake of infill opportunities

## **2. Review and Establish Inclusionary Policy + Inclusionary Zoning to be implemented through Neighbourhood Planning and Multi-Unit Development Projects: R**

Although municipalities in British Columbia (except Vancouver) do not have the legislative authority to use mandatory inclusionary zoning, the City did create policy that encourages the provision of affordable housing units or a voluntary contribution to the Affordable Housing Reserve Fund through the rezoning process. Since introduction of this policy, the City has been able to negotiate a voluntary contribution to affordable housing on a per door basis ranging from \$250 to \$1200 on some rezoning applications (the City has received between \$250 per door to \$1200 per door as part of multi-unit rezone applications. The City has received a total of \$127,820 into the Fund and \$53,191 has been allocated to complete the Affordable Housing Strategy as well as a \$15,000 contribution to the Room to Live campaign. Currently there is \$74,629 in the Fund). However, overall this has had limited effect since the City receives very few multi-unit rezoning applications or the proposed developments do not proceed, such as Kutenai Landing and Nelson Landing. These projects highlight the challenge of developing large multi-unit projects on former brown-field sites.

Density bonusing is another way to achieve affordable housing contributions, however there have been very few instances in Nelson where a developer has requested additional density.

**Status:** Complete

**Staff Recommendation:** Continue to implement the policy through the rezone process

## **3. Increase Density through Multiple Dwelling Unit Conversion Regulations: F.R.**

Multiple-dwelling unit conversions, which allow for the conversion of single family dwellings to multiple units, for example, are currently allowed within the R3 Zone. The only limitations are with respect to height, parking, setbacks and meeting the BC Building Code requirements. While the zoning has allowed for this since 2010, there has been limited uptake.

This regulatory change would likely have the most impact if it was brought into effect in the R1 zone. Such a change would be a large cultural shift in the City and would require investigation into servicing issues if pursued. Additionally, an effective regulatory regime would be required to ensure the protection of property owners.

**Status:** Complete

**Staff Recommendation:** Explore implementing this in the R1 zone

#### **4. Update Nelson's Heritage Strategy with the Provision of Offering Heritage Revitalization Agreements: F.R.**

The intent of Heritage Revitalization Agreements is to allow for increased density in heritage buildings as a form of adaptive reuse in order to preserve heritage buildings. The majority of Nelson's heritage homes are located in the R3 zone adjacent to the downtown which already allows for unlimited density, therefore the impact of these agreements would be minimal. Furthermore, the legislation to implement this strategy is significant. Each property would have to have (as a minimum) a Statement of Significance in order to meet minimum provincial and federal standards. Further, development agreements would have to be negotiated with each property owner and would be specific to each site. This strategy would require significant resources to implement with minimal benefit. The City of Nelson already allows for higher densities in low density neighbourhoods than many other cities in British Columbia. As an alternative the City may wish to investigate revitalization tax exemptions for redevelopment of key heritage properties within the City.

**Status:** Not Started

**Staff Recommendation:** Do not implement this strategy. Explore revitalization tax exemptions, pending availability of staff resources.

#### **5. Adopt a Standards of Maintenance Bylaw: R.**

A draft standards of maintenance bylaw that would assist the City in enforcing basic levels of maintenance for rental units, has been developed by the City of Nelson. This bylaw is currently being reviewed by staff. Potential issues of implementing this bylaw include:

- It may result in residential units being taken off the market, or alternatively, increase the rental price of units as some owners may be required to upgrade the units to meet building code.
- Management of this bylaw may require a significant amount of staff time which will have a budget impact. There may need to be associated fee reductions or a revitalization tax exemption bylaw to help offset landlord costs for upgrades to units.
- Revitalization tax exemptions to help offset the costs of development may provide an opportunity for developers who are willing to upgrade housing.

**Status:** Underway

**Staff Recommendation:** Continue to develop the standards of maintenance bylaw

#### **6. Adopt a Family-Friendly Housing Policy: R.**

An OCP policy statement can be put in place to require proponents to identify how their multi-unit development will support family-friendly housing (# bedrooms, etc.). However,

there are very few multi-unit rezones within the City therefore this policy will likely have minimal effect over time.

**Status:** Not Started

**Staff Recommendation:** Develop OCP policy pending availability of staff resources

## **7. Adopt a Youth-Friendly Housing Policy: R.**

An OCP policy statement can be put into place to require proponents to identify how their multi-unit development will support youth-friendly housing. However, there are very few multi-unit rezones within the City therefore this policy will likely have minimal effect over time.

**Status:** Not Started

**Staff Recommendation:** Develop OCP policy pending availability of staff resources

## **8. Adopt a Seniors-Friendly Housing Policy: R.**

An OCP policy statement can be put into place to require proponents to identify how their multi-unit development will support seniors-friendly housing. This policy could be rolled out with Item #9. However, there are very few multi-unit rezones within the City therefore this policy will likely have minimal effect over time.

**Status:** Not Started

**Staff Recommendation:** Develop OCP policy pending availability of staff resources

## **9. Prepare an Accessible Housing Bylaw: R.**

This Bylaw can be prepared by staff for consideration by Council. Similar to bylaws in Vancouver and Saanich, such a bylaw could ensure all new multi-residential units include accessibility requirements for older populations. As the population ages over time, inclusion of such regulations may be prudent as specialized needs for housing for seniors will become more prevalent. However, further investigation is required to determine whether we want/need all new multi-unit developments to be built in this way, particularly given that it will increase costs.

**Status:** Not Started

**Staff Recommendation:** Pending staff resources, further investigation into the development of this bylaw is required.

## **10. Support Alternative Housing Forms + Construction Techniques: F.R.E.**

The City supports alternative housing forms subject to building code requirements. Staff currently responds to variances for developments that may not meet current zoning standards. Variances and comprehensive development zones are good examples of how existing processes allow for innovative developments to be tested prior to introducing them throughout the whole community. Further adjustments to zoning regulations can be considered after thorough review of proposals submitted to the City. Staff are currently working on a laneway housing project in conjunction with Small Housing BC. Council has recently approved revisions to zoning regulations to encourage more laneway housing. Further revisions to the zoning regulations for laneway houses are underway (for height), as well as development of pre-approved designs.

**Status:** Underway  
**Staff Recommendation:** Continue to review regulations and policy to ensure ongoing support for alternative housing forms and construction techniques.

**11. Improve Access to Rent Supplements (RAP, SAFER): E.D.**

Eligible households may not be aware of this program and could benefit from an increased awareness and assistance with preparing their applications. This role would be best undertaken by external groups i.e. Housing Committee members can ensure their respective agencies include this information in their documentation.

**Status:** non-City role

**12. Promote the Home Adaptation for Independence Program: E.D.**

This program promotes financial assistance for low-income seniors and people with disabilities to support home modifications to promote safe, independent living. This role would be best undertaken by external groups i.e. Housing Committee members can ensure their respective agencies include this information in their documentation.

**Status:** non-City role

**13. Advocate for Increased Rent Supplements for Persons who have Mental Health Issues: E.D.**

This role would be best undertaken by external groups i.e. Housing Committee members can ensure their respective agencies include this information in their documentation.

**Status:** non-City role

**14. Prepare a Discharge Planning Policy for At-risk Residents Leaving Hospitals/Detailment: E.D.**

**Status:** non-City role - Nelson Police Department is assisting IHA in policy development

**15. Investigate the Opportunity to Develop an Addictions Treatment Facility with Dedicated Detox Beds: E.D.**

**Status:** non-City role - in 2017 ANKORS and Nelson Cares secured funding from Interior Health to deliver 8 adult support recovery beds for the West Kootenay Region. Additionally, an 8 bed detox unit was opened in Castlegar.

**16. Encourage Landlord Discussions: E.**

This role would be best undertaken by external groups i.e. Housing Committee members can ensure their respective agencies include this information in their documentation.

**Status:** non-City role - a member of the Landlord's association currently sits on the Housing Committee. In October of 2017 the Nelson Committee on Homelessness hosted three landlord education events to encourage people to rent their homes and to educated current landlords about the value of keeping their suites on the rental market.

## **17. Leverage Underutilized Land + Buildings Towards Increasing the Supply of Affordable Housing: F.R.**

A Phase 1 Vacant Land Study was undertaken in 2017, building on a 2011 study, to identify vacant City-owned lands that were not required for City operations. Fourteen parcels were identified in this study. A Phase 2 of the Vacant Land Study could look at all City-owned vacant lands as well as underutilized land and City rights-of-way to determine if they could possibly be released for development or sale. Such an inventory would allow Council to respond quickly to funders and providers of affordable housing projects. This is an important action in order to be prepared when Federal and Provincial funding initiatives are announced. Currently there are two multi-unit development projects (205 Hall Street and the NDYC) that are being considered on City-owned property.

**Status:** Underway

**Staff Recommendation:** Undertake the second phase of the vacant land study including all vacant land, as well as underutilized land and City ROWs

## **18. Develop Prototypes and Promote Demonstration Initiatives: F.R.**

Currently there are a number of prototypes and demonstrations already available within and outside the City. The Housing Committee members could prepare linkages to some of these projects for each of their associated websites where applicable. In this regard, the City is one of three communities selected by Small Housing BC to develop updates to current regulations to further encourage laneway housing. Further, a call for proposal for innovative design could be conceived by Council when some suitable sites are identified through Strategy #17. City costs and benefits (financial, operational) must be identified prior to moving forward. The City of New Westminster is currently moving through such a process.

**Status:** Underway

**Staff Recommendation:** Continue to explore updates to regulations and pilot projects to support affordable housing

## **19. Communicate Housing-related Information: E.**

The City has not followed through on the delivery of the following items from the Official Community Plan:

*22. The City will consider how to communicate housing-related information, including best practices, through a dedicated web page of documents, information sheets, sessions and events.*

*23. The City will produce a progress report on the implementation of the Housing Strategy Report, on a regular basis.*

Staff resources have been challenged to keep on top of this. A role of the Housing Committee could be to provide such information for inclusion on the City's website.

**Status:** Underway (This report provides an update on the strategy)

**Staff Recommendation:** The Housing Committee could explore undertaking this strategy in the future

## **20. Review and Monitor Affordable Housing Strategy in Fall 2017/Spring 2018: E.**

Given limited staff resources, timely review of the Affordable Housing Strategy is difficult.

**Status:** Underway

**Staff Recommendation:** The Housing Committee could explore undertaking this strategy in the future.

### **20 Strategies: Next Steps**

Significant progress has been made in implementing zoning regulations that allow for smaller lot sizes and increased density. Going forward, strategies related to exploring increased housing capacity through multiple dwelling unit conversions in all residential zones, continuing to support innovative housing forms and construction techniques, undertaking pilot projects and leveraging underutilized City-owned land could also have a significant impact on Nelson's affordable housing supply in the future.

## **B. AFFORDABLE HOUSING INCENTIVES**

### **Sources of Funding**

Municipalities in British Columbia have two predominant sources of funding which include property taxation and fees for service. Most costs associated with the provision of affordable housing by a municipality must come from one of these sources unless outside donations or grants have been obtained. Council has received a number of requests from proponents of affordable housing projects to request the waiving of fees and/or property taxation in order to support the development of affordable housing units. In consideration of these requests, Council must look at the short and long-term impacts of such requests on future operations of all City services and to ensure fairness for taxpayers and ratepayers. For example, with the development of any new housing in a municipality there is additional demand for each service the municipality provides. Without new developments paying appropriate costs (through taxation or fees) towards new development, existing taxpayers and ratepayers are paying for the additional incremental costs to infrastructure and City services. Additionally, where new development does not pay towards the already built (and paid for) infrastructure, those costs have fully been borne by the tax and rate payers. Therefore, residents of the new development get the use and benefit of that infrastructure for free.

### **Affordable Housing Reserve Fund**

It is proposed that any monies that Council allocates to affordable housing projects be done through the Affordable Housing Reserve Fund. The City of Nelson completed an Affordable Housing Strategy in 2010 and subsequently in 2012 an Affordable Housing Policy was established. In this policy, an Affordable Housing Reserve Fund and a process for use of the fund to support the development of affordable housing within the City was established. Under the policy, developers are encouraged to make voluntary contributions to the fund at the time of rezoning. Alternatively, if a development has more than 20 units, applicants are encouraged to designate a minimum of 5% of the units as affordable.

## Guiding Principles for Affordable Housing Reserve Fund

The following guiding principles are proposed for the provision of any financial assistance from the Affordable Housing Reserve Fund:

- **Housing Need** - In order to meet the most pressing local housing needs as identified by the *Housing Strategies Update - October 2014 (and any subsequent updates)*, the Fund will be targeted to projects that supply affordable housing for the six priority groups (*It must be noted that these target groups may change over time as housing is established and housing need changes*).
- **Partnerships** - The Fund will be used to partner with and supplement resources from senior levels of government, non-market housing providers and the development community to facilitate the development and retention of affordable housing for the target groups.
- **Reducing Capital Costs of Projects** - The Fund is intended to contribute to reducing the capital cost of affordable housing projects and to support long-range strategic planning for the development of affordable housing. It is not intended to support other non-capital expenditures including staffing, legal costs or the ongoing operating costs of these projects.
- **Flexibility** - The Fund will recognize the varying and evolving nature of opportunities to contribute to affordable housing projects. An affordable housing project could consist of new housing stock, the regeneration of older non-market housing, or the purchase of older rental units to be managed by a non-market housing provider.
- **Sustainability & Transparency** - The revenue contribution sources and uses of the Fund must be structured so that it can be sustained over time. It must also be understood that City contributions to the Fund through City allocation cannot unduly affect other City operations and their need for sustainability. Fees and charges normally required by City departments for application or connection shall be required; however payment of those fees and charges can be supported, in part, by the Affordable Housing Reserve Fund. It must be understood that development of affordable housing likely requires additional services to support the housing for the user in both the short and long terms. In this regard additional infrastructure (i.e. sidewalks, parks, library, police, etc.) may be required with associated costs and must be paid for or absorbed in some manner. A review of these items may need to be factored into decision making processes.

## Inputs to the Fund

British Columbia municipal legislation limits opportunities for the provision of monies towards an affordable housing fund. Opportunities are limited to taxation; contribution by the public, developers and other agencies; monies provided for the purposes of amenity provision for a bonus density under zoning; and by accrued interest in the fund account. For the purposes of an updated affordable housing policy, funds are obtainable from the following:

- One hundred percent of voluntary cash contributions received in accordance with applications for development (rezone applications);

- Donations from members of the public or other entities that are dedicated to affordable housing in Nelson;
- Any monies allocated for this purpose by Council. In this regard, Council may wish to consider a yearly contribution to the Fund to ensure sustainability and to build a reserve that can be applied to capital projects into the future; and
- Any interest earned by the Affordable Housing Reserve Fund shall accrue to it.

### **Outputs from the Fund**

Upon request by Applicants, Council may consider allocations from the fund for the following purposes:

- the purchase or lease of land (up to a maximum of 90% of the Fund balance);
- capital construction projects (up to a maximum of 90% of the Fund balance);
- reduced development application fees (up to a 50% reduction in fees; and up to a maximum of 90% of the Fund balance); and
- reduced connection fees for City utilities (up to a 50% reduction in fees; and up to a maximum of 90% of the Fund balance).

Where a request for financial assistance is forthcoming, the City's Policy on the disbursement of monies should be directly related to the provision of housing that meets the needs of the priority groups identified in the *Housing Strategies Update – October 2014 (or subsequent update)*.

## **C. CRITERIA FOR ALLOCATION OF MONIES FROM THE AFFORDABLE HOUSING FUND**

The use of written guidelines and criteria for allocation of affordable housing funding is a common practice in a number of municipalities in British Columbia. The following guidelines are proposed for the City of Nelson Affordable Housing Reserve Fund:

- The project must support at least one of the six priority groups identified in the *Housing Strategies Update – October 2014 (or subsequent update)*;
- The project must primarily target existing city residents;
- The project must have support (financial or otherwise) from senior levels of government;
- The affordability of units must be established through a housing agreement with the City and/or other applicable senior levels of government;
- Rents must not exceed Canada Mortgage and Housing Corporation (CMHC) affordability standards (as amended from time to time) for the City of Nelson;
- Housing rent and mortgage amounts must be as near to 30% of gross household income as is possible;
- Units must be managed by a non-profit housing organization in order to be considered. This will help to stabilize tenancy through such actions as mediating through landlords and ensuring affordability is maintained for low income households;

- Funds shall not be available to for-profit developers;
- Must provide a business plan that supports the long-term operational sustainability of the project;
- The project must not be eligible to receive Class 3 status from British Columbia Assessment Authority; and
- The long term sustainability of City services and operations is not compromised.

## **D. ADDITIONAL OPPORTUNITIES TO SUPPORT AFFORDABLE HOUSING**

The above discussion has identified criteria that Council can use to evaluate proposed affordable housing projects requesting support from the Affordable Housing Reserve Fund in the form of contributions toward land, construction, and/or fee reductions. This support is contingent on the provision of housing for the priority groups identified and is not to support market oriented housing. Affordable market housing on the other hand, is housing that is created through normal market processes and typically does not specifically target one of the priority groups. Council can help support the provision of market affordable housing through the provision of financial incentives, changes to regulations and ongoing education.

In addition to the above-noted potential incentives for affordable housing, there are a number of other opportunities that could be explored to support affordable housing:

### **a) Application Fee & Utility Pricing**

The City of Nelson has standard fees for development applications and utility pricing for water, sewer, storm, waste and electricity. Utility fees are set by bylaw and are standardized to reflect costs associated with delivering the service over the City or utility as a whole. The fees associated with water, sewer, storm, waste and electricity support the long-term operations of these utilities and ensure that systems are upgraded and sustainable over time.

Similarly, development application fees are also set by bylaw and reflect the actual cost to process development applications through the planning and building process from policy and plan review through to inspections.

There is an opportunity for Council to review the fee structure for development application fees and for particular utility rates so that they support affordable housing developments. For example, rezoning, building and development permit fees, water/sewer, or electrical usage fees could be reduced for affordable housing developments that meet the criteria. Such reduction could assist affordable housing providers to reduce costs in both the short and long-term.

It must be noted that any such fee reductions would take revenue away from City Departments - revenues that may be critical to the sustainability of those services. Fees may need to be increased for other users in order to make up for revenues lost. Comprehensive review of the fees of those services would have to be undertaken prior to moving forward with fee adjustments.

As an aside, it must be acknowledged that development that is compact and dense requires significantly less infrastructure (water-lines, electrical-lines, sidewalks, bus

shelters, roads, etc.) per unit or person. It costs more to service a very large lot with one residence than it does to service a large number of residences on small lots. Therefore, it may be appropriate to incentivize compact or denser development with lower (per unit) utility pricing that encourages such development over less dense development.

For example, yearly water and sewer fees for strata property apartments are equal to the rate for single detached dwellings in Nelson. It is commonly understood that strata developments use substantially less water per unit than does a single detached dwelling (under most circumstances). Such pricing policies discriminate against more affordable, efficient and dense developments. In this regard, the City may wish to review utility pricing that better encourages long-term affordability and economic sustainability of all housing and ensures that the highest use user pays their share of the cost of maintaining the infrastructure. Such a full review may be complex for each utility. Careful consideration must be taken before moving forward on such an initiative.

**b) Revitalization Tax Exemptions**

Many municipalities provide an opportunity under Section 226 of the *Community Charter* that allows the City to provide tax exemptions by bylaw for revitalization of properties within a municipality. Such exemptions allow for tax reductions for the City's portion of the improved value of a property after revitalization for a period of time (typically 10 years). Kelowna and Kamloops use such an opportunity to encourage further affordable housing development in certain neighbourhoods within their communities. The City of Nelson could consider such a bylaw to help encourage property owners to improve properties that would otherwise remain unchanged. In fact, there may be an opportunity to establish such a programme at the same time as the implementation of a Standards of Maintenance Bylaw, identified as Strategy #5 in the *Housing Strategies Update – October 2014*. Such an initiative would take tax revenue away from the City for a portion of time, however, without such a programme, property owners may not move forward with needed improvements to older developments.

**c) Adaptable Housing**

Adaptable housing is typically defined as housing that has the ability to change over time to accommodate people in different life-cycle stages. New housing can be developed that allows for aging in place to meet expected housing needs over time. In this way, housing can be built with the ability to be separated or expanded over time. A home could be developed with a secondary unit where occupants can expand into the secondary unit as their family grows and contracts as the family leaves the home. These can be in single detached dwellings (secondary suites or laneway houses) or in multi-unit developments (lock-off units. A lock-off unit in a multi-unit development is similar to a secondary suite in a single detached home.)

Secondary suites and laneway houses are currently allowed in virtually all residential zones. As well, in the R3 zone, the City requires all new development to be suite

ready. As a way to achieve more secondary suites in the city, the City could require that all new single family homes (i.e. in the R1 zone) be suite ready. To allow for and encourage the ability to have lock-off units in multi-unit developments would assist in this regard also. The City's density and parking requirements may need to be adjusted to allow for such units to be developed with existing regulations. Such development can be mortgage helpers in the short-term (young families) and allow seniors to downsize in their own homes over time. The inclusion of adaptable housing within zoning regulations would help to satisfy strategies #8 (Seniors Housing Policy) and #9 (Accessible Housing Bylaw) in the *Housing Strategies Update – October 2014*. Through the encouragement and development of adaptable housing opportunities, the City would be able to help ensure expected future housing needs are addressed.

**d) Freehold Townhouses**

Freehold townhouses are where individual residential units are built to the property line thereby maximizing the use of land. The potential of these units is that they allow for very small lot widths. An owner of a freehold townhouse has full ownership of the unit. Party walls are constructed on the property line and the owner is responsible for typical utilities and maintenance. The width of such properties could be as little as 4.8 metres (16 ft.). Design guidelines are typically registered on title to ensure long-term design standards. Zoning and design guideline amendments could help to encourage such development elsewhere in the City in each of the R2, R3, or R4 zones. Opportunities may even be possible in the R1 zone within the City.

**e) Laneway Housing**

In 2013, the City adopted a new zoning bylaw that allowed for laneway houses on the same property as a single detached unit in the primary residential zone (R1). Since that time, relatively few approvals for laneway houses have occurred. The City is currently working with Small Housing BC on an initiative to revise the regulations and develop pre-approved designs to further encourage uptake of this type of development. Council has recently approved some updates to the regulations, with further updates to come.

**f) Small-Scale Attached Housing (four-plexes)**

These developments generally include higher densities (up to 4 units) on existing lots within typically low density neighbourhoods. To achieve this in Nelson in the R1 zone, regulations could be adjusted to increase potential density from two units to up to four units. Such development would require consideration of design guidelines to fit into the neighbourhood along with a dialogue and regulation to support parking and lot coverage issues on the property to ensure neighbourhood character is not unduly impacted. Opening up such densities throughout the City could impact traffic, parking and servicing capacities. The City may wish to investigate such opportunities in the future on a trial basis in locations where these issues would be minimal. Zoning changes would be likely required in order to allow this to move forward.

It should be noted here that there is a fairly large area within the Gyro neighbourhood which is currently zoned for multi-unit residential, where there has been very little uptake in multi-unit development or densification to the existing single detached dwellings. This may be because lot sizes are relatively small and the terrain is relatively steep to develop easily.

Additionally, this may allow for increased investment in retrofits to older established housing within the City. Such opportunity could possibly work with a Standards of Maintenance Bylaw and potentially with a revitalization tax exemption program (see Strategies #3, #4, and #5 of the *Housing Strategies Update – October 2014*).

**g) Reduction of Off-Street Parking Requirements**

It is often proposed that in order to reduce costs for developers to create more affordable housing, the municipality should reduce off-street parking requirements under certain circumstances. The City understands that there is a cost to provide land and to develop parking with any new development. Reducing the parking requirement would reduce costs to the developer, however those costs may likely be transferred to the general taxpayer through the management of on-street parking by the City. The City must carefully review such reduction to ensure City operations are not hindered due to congestion on the streets (i.e. snow clearing and parking enforcement). This might be best reviewed through development variances on a site-by-site basis. At such time, the review could look at the availability of transit, sidewalks, proximity to services, the expected occupants and the general parking issues within the immediate area.

**h) Inclusionary Zoning/Density Bonuses**

In referencing literature on the provision of affordable housing in British Columbia, the discussion of inclusionary zoning and density bonusing inevitably comes up. Strategy #2 of the *Housing Strategy Update* in 2014 suggests inclusionary zoning and density bonusing are strategies that should be explored for the City of Nelson. As discussed previously, these are not likely good opportunities for the City of Nelson at this time as there are limited rezones and requests for additional density. This however could change if more multi-unit applications for rezoning were to occur.

**i) Vacant Land Analysis**

A Phase 1 Vacant Land Analysis was undertaken in 2017, building on a 2011 study, to identify vacant City-owned lands that were not required for City operations. Fourteen properties were identified that could be sold or otherwise released for affordable housing development opportunities. This list was seen to be potentially ‘the low hanging fruit’ and included costing as well as information on other issues pertinent to the disposal of these properties. A Phase 2 study, not yet started, will look at all City-owned vacant land as well as underutilized land and City right-of-ways to determine if they could possibly be used and/or released for development. Using this inventory, Council may be able to target sites for future affordable housing projects, or alternatively, to sell surplus lands and use revenues to possibly support future

affordable housing projects. Strategy #17 of the *Housing Strategies Update – October 2014* speaks to this item.

**j) Education and Advocacy**

Other municipalities support the provision of affordable housing with ongoing administrative initiatives with developers as they move forward with their plans. These other forms of support are important and are currently being realized at the City of Nelson through administrative and regulatory processes and include the following:

1. Support for site specific rezones or variances;
2. Assisting in public consultation; and to some extent
3. Education and advocacy.

These forms of support are outlined within the strategies identified in the *Housing Strategies Update – October 2014*. Additional support for affordable housing could include the City working with relevant outside agencies through the City's Housing Committee. The Housing Committee should be the lead in providing advocacy and education and to promote affordable housing Strategies (#11, #12, #13, #15, #16, and #20) identified in the *Housing Strategies Update- October 2014*.

**E. NEXT STEPS**

The City has undertaken an Affordable Housing Strategy, developed an Affordable Housing Policy and Affordable Housing Reserve Fund, and established a Housing Committee. The City has provided financial support for affordable housing through both permissive tax exemptions as well as provincial supportive housing designations. Additionally, the City has adjusted regulatory and fee structures to encourage increased density and intensification in existing neighbourhoods. The City has recently updated bylaws (OCP, zoning, parking and fee bylaws) to fine-tune regulations and fees that promote affordability of housing. As well, the City has undertaken a vacant land inventory, as well as regulatory changes to ensure short-term rentals have a minimal impact on long-term housing.

In addition to these actions, this report also identifies a number of possible initiatives to further assist in the provision of affordable housing within the City of Nelson. In addition to the current support, Council may wish to consider the following actions:

1. Adopt the revised Affordable Housing Policy;
2. Undertake an updated Affordable Housing Strategy providing for current housing supply/demand data, as well as additional strategies;
3. Consider contributing a dollar value to the Affordable Housing Reserve Fund on a yearly basis;
4. Support increased housing capacity through the exploration of multiple dwelling unit conversions in all residential zones, innovative housing forms and construction techniques, and innovative pilot projects;
5. Consider providing an annual financial statement detailing City resources that are absorbed and the costs associated with supporting the delivery of affordable housing within the City including staff time, tax exemptions (from both the Province and the City), fee reductions, etc. In this regard, Council may wish to include the

value of these costs to the Affordable Housing Reserve Fund in a transparent manner. Such an accounting will help to show the full level of support that is being provided for affordable housing by the City of Nelson.

6. Consider reviewing utility billing processes for affordable housing providers to allow flexibility in payment while still maintaining early payment discounts. It is suggested that the applicant pay the full utility costs in the first year and if payments are received on-time, the 10 percent discount would apply for subsequent years.
7. Consider reviewing the fee structures for affordable housing projects for development applications and connection fees for water, sanitary sewer, storm sewer and hydro;
8. Consider the use of revitalization tax exemptions in conjunction with the implementation of a Standards of Maintenance Bylaw;
9. Consider the implementation of adaptable housing standards, freehold townhouses and small-scale attached housing within the City's zoning bylaw;
10. Consider moving forward on a Phase 2 Vacant Land Analysis to identify surplus vacant, underutilized or City rights-of-way that may be suitable for future affordable housing projects or to sell surplus lands and use revenues to possibly support future affordable housing projects;
11. Consider the review of parking regulations for seniors' housing and special needs housing; and
12. Explore having the Housing Committee focus on the advocacy and educational aspects of the *Housing Strategies Update - October 2014*.

The provision of affordable housing is a complex issue and requires many players and agencies to work together in order to establish suitable housing for the needs of residents now and in the future. The population being served by the development of affordable housing is not usually just for existing City residents. Affordable housing is needed to serve individuals from the region and even nationally. Therefore there is an obligation for participation in funding and other ways by regional (CBT, RDCK), provincial and national entities. The City should encourage a strong partnership with regional agencies in the housing affordability discussion.

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## Appendix B - DRAFT Affordable Housing Policy

THE CORPORATION OF THE CITY OF NELSON	
POLICY TITLE: Affordable Housing Policy	POLICY NO: _____
EFFECTIVE DATE: _____	SUPERSEDES: 5040.00.005
APPROVAL: Council	PAGE: 1 of 4

### PURPOSE:

The City of Nelson has a strong commitment to affordable housing. An Affordable Housing Strategy in 2010 and subsequently an update in 2012 lead to the development of an Affordable Housing Policy. In this policy an Affordable Housing Reserve Fund and a process for use of the fund to support the development of affordable housing within the City was established. The effective use of the Affordable Housing Reserve Fund can assist proponents in the development of affordable housing opportunities for the priority groups identified within the strategy. This updated policy will help to further articulate the City's commitment to the delivery of affordable housing to citizens of the City of Nelson.

The purpose of this policy is three-fold:

1. To clarify when contributions to the Affordable Housing Reserve Fund will be received and how funds held by the City in the Affordable Housing Reserve Fund will be used;
2. To provide criteria that Council shall use to evaluate requests for financial support for the development of affordable housing units within the City of Nelson; and
3. To clarify the City's role in encouraging the development of Affordable Housing through the development application process.

### GUIDING PRINCIPLES:

The following set of principles shall be used to guide the development of affordable housing for the City of Nelson. These guiding principles shall be paramount in adjudicating requests for funds from the City of Nelson:

1. **Housing Need** – In order to meet the most pressing local housing needs as identified by the *Housing Strategies Update, 2014*, the Fund will be targeted to projects that supply affordable housing for the six identified priority groups:
  - a. At-risk youth and young adults;
  - b. Persons with physical and developmental disabilities;
  - c. Low-income seniors and seniors in rural Areas of Nelson;
  - d. Low-income families;
  - e. Persons with mental health and addictions issues; and
  - f. People who are homeless or at-risk of homelessness.

2. **Partnerships** - The Fund will be used to partner with and supplement resources from senior levels of government, non-market housing providers and the development community to facilitate the development and retention of affordable housing for the target groups.
3. **Reducing Capital Costs of Projects** - The Fund is intended to contribute to reducing the capital cost of affordable housing projects and to support long-range strategic planning for the development of affordable housing. It is not intended to support other non-capital expenditures including staffing, legal costs or the ongoing operating costs of these projects.
4. **Flexibility** – In recognition of the varying and evolving nature of opportunities to contribute to affordable housing projects, the Fund can be used for new housing stock, the regeneration of older non-market housing, or the purchase of older rental units to be managed by a non-market housing provider.
5. **Sustainability & Transparency** – The revenue contribution sources and uses of the Fund must be structured so that it can be sustained over time. It must also be understood that City contributions to the Fund through City allocation cannot unduly affect other City operations and their need for long-term sustainability. Fees and charges normally required by City departments for application or connection shall be required to support those services. However payment of those fees and charges can be supported by the Affordable Housing Fund. It must be understood that development of housing requires additional services to support the housing for the user. In this regard additional infrastructure may be required with associated costs and must be paid for or absorbed in some manner. These items need to be factored into decision-making processes.

## **CONTRIBUTIONS TO AFFORDABLE HOUSING RESERVE FUND:**

The following opportunities for provision of monies to the fund are:

1. One hundred percent of voluntary cash contributions received in accordance with applications for development (rezone applications);
2. Donations from members of the public or other entities that are dedicated to affordable housing in Nelson;
3. Any monies allocated for this purpose by Council. In this regard, Council may wish to consider a yearly contribution to the Fund to ensure sustainability and to build a reserve that can be applied to capital projects into the future; and
4. Any interest earned by the Affordable Housing Reserve Fund shall accrue to it.

## **INCENTIVES:**

The following financial incentives from the Affordable Housing Reserve Fund are available for projects in Nelson for the priority groups by non-profit housing providers (it may be beneficial for these funds to build up over time for disbursement for larger projects):

1. the purchase or lease of land (up to a maximum of 90% of the Fund balance);
2. capital construction projects (up to a maximum of 90% of the Fund balance);
3. reduced development application fees (up to a 50% reduction in fees; and up to a maximum of 90% of the Fund balance); and
4. reduced connection fees for City utilities (up to a 50% reduction in fees; and up to a maximum of 90% of the Fund balance).

## **Despite the above incentives, Council at its discretion may also use funds to:**

1. Hire consultants or personnel, conducting research, production of reports and other information and updates related to the Affordable Housing Strategy;
2. Manage, administer, and develop affordable housing units owned or managed by the City of Nelson;
3. Respond to emergency requests for funding from local not-for-profit agencies operating within the City of Nelson as it relates to affordable housing;
4. Pay for legal costs of implementing affordable housing agreements; and
5. Purchase land for use as affordable housing.

Regardless of the monetary request made, no more than 90% of the Affordable Housing Reserve Fund can be disbursed to one non-profit housing provider in any one year.

## **CRITERIA FOR DISBURSEMENT:**

The following is a list of criteria to be used by City Council to determine financial support from the Affordable Housing Reserve Fund:

1. The project must support at least one of the six priority groups identified in the *Housing Strategies Update – October 2014 (or subsequent update)*;
2. The project must primarily target existing city residents;
3. The project must have support (financial or otherwise) from senior levels of government;
4. The affordability of units must be established through a housing agreement with the City and/or other applicable senior levels of government;
5. Rents must not exceed Canada Mortgage and Housing Corporation (CMHC) affordability standards (as amended from time to time) for the City of Nelson;
6. Housing rent and mortgage amounts must be as near to 30% of gross household income as is possible;
7. Units must be managed by a non-profit housing organization in order to be considered. This will help to stabilize tenancy through such actions as mediating through landlords and ensuring affordability is maintained for low income households;
8. Funds shall not be available to for-profit developers;

9. Must provide a business plan that supports the long-term operational sustainability of the project;
10. The project must not be eligible to receive Class 3 status from British Columbia Assessment Authority; and
11. The long term sustainability of City services and operations is not compromised.

#### **CITY STAFF ROLE:**

At the time of development application (rezoning):

- which results in the creation of additional residential or commercial density, and/or increasing lot coverage and height requirements; or
- when City staff determine that it is desirable for a development application to consider affordable housing;

City staff will encourage the applicant to voluntarily provide one (1) or both of the following in order to meet the need for affordable housing in the City of Nelson.

1. Affordable Housing Development

City staff will encourage applicants of developments which are proposed to contain 20 or more residential units to designate a minimum of 5% of all residential dwelling units as affordable housing units. In this regard, developed affordable housing units would be required to meet the criteria for disbursement established above.

2. Voluntary Contribution to the City's Affordable Housing Fund

City staff will encourage the applicant to voluntarily provide a financial contribution to the City's Affordable Housing Reserve Fund (affordable housing projects by non-profit agencies will not be requested to contribute to the Fund). A suggested contribution would be based on a dollar (\$) value per residential dwelling unit or dollar (\$) value per square metre of commercial floor space. The appropriate dollar figure will be reviewed by City staff in the context of the overall development proposal, market conditions, impact on unit price, and recent affordable housing contributions. This may include a review of the development project's pro forma financial statements. The outcome of this review will be presented to Council as part of the development review and approval process. The contribution must be received in trust to the City prior to final adoption of the amending bylaws.

#### **PROCEDURE FOR APPLICATION:**

1. Requests for the use of funds from the Affordable Housing Reserve Fund made by not-for-profit agencies must be made in writing to the Director of Development Services on the application attached (Appendix C).
2. Requests for funds made by not-for-profit agencies may be referred to the Housing Committee for a recommendation to Council.
3. All requests for funds will be referred to Council for review. Council will evaluate each application by the criteria listed above. Council will retain full discretion to approve or deny the request on a case-by-case basis.

## Appendix C

### **AFFORDABLE HOUSING RESERVE FUND APPLICATION**

City of Nelson, 310 Ward Street, Nelson BC, V1L 5S4

Telephone: 250-352-8260

Fax: 250-352-2131

Applications are reviewed year-round by staff and City Council.

There is no appeal process and presentations may be requested by City Council. If there are any questions regarding the application form or process, please contact the Director of Development Services at 250-352-8260.

Please read the Affordable Housing Policy No. \_\_\_\_ (Attached)

**CITY OF NELSON**  
**AFFORDABLE HOUSING RESERVE FUND APPLICATION FORM**

Date Submitted: \_\_\_\_\_

Type of Organization:

- Not For Profit
- Place of Worship
- Private
- Other (specify)

What type of funding are you seeking:

- purchase or lease of land
- capital construction project
- reduced development application fees
- reduced utility connection fees

Project title: \_\_\_\_\_

Address of project: \_\_\_\_\_

How much money are you seeking from this Fund? \_\_\_\_\_

Will you be seeking money from this fund in the future?  Yes  No

How much and when? \_\_\_\_\_

Will you be seeking Class 3 Status from British Columbia Assessment Authority?

Yes  No

Legal name of organization: \_\_\_\_\_

Contact person: \_\_\_\_\_

Mailing address: \_\_\_\_\_

Phone: \_\_\_\_\_ Email: \_\_\_\_\_

Website: \_\_\_\_\_

LEGAL SIGNING OFFICERS (provide copy of business number or society papers).

Title

Name

Phone

Signature

Title

Name

Phone

Signature

Title

Name

Phone

Signature

Please provide a project summary and include answers to the following questions:

1. What type of affordable housing is your project?  
 Affordable Rental       Affordable Supportive Housing  
 Transitional       Emergency Shelter
2. Describe why your organization is qualified to provide housing.
3. Who is the target population served by the affordable housing project proposed?
4. Please identify and describe which priorities are being met by this project (see priorities in most recent City of Nelson Housing Strategy).
5. Describe how your project is affordable to the target population. Include rental rates and what is included in the rent.
6. How many units are in the facility?
7. How will the units be targeted to existing City of Nelson residents?
8. What are the sizes of the units (# bedrooms & size of smallest and largest)?

9. How many units will be designed to be accessible? Describe the building features that will be included to achieve accessibility standards.
10. Describe how this housing project is sensitively integrated into the neighbourhood.
11. How will the affordable units benefit the quality of life of the residents who will live in the units?
12. How will the addition of units improve the neighbourhood and the city?
13. If this project is for affordable supportive housing, transitional housing, or is an emergency shelter, what services or programs will be provided to the residents? Where will these be held?
14. How will the housing project be managed? Please identify if there is an on-site manager or caretaker and what hours they will be on site.
15. How does this project address Nelsons' affordable housing needs?
16. Is this project: a) a renovation or b) new construction? If a), please explain your relocation strategy for existing tenants.
17. Who is providing funding to this project?
18. How will the funds requested from the City be used?
19. How will the overall project be sustained? Include your operating scheme for the units.
20. What type of statistical information will be maintained on the affordable housing project? How can the City of Nelson obtain this information into the future?
21. Who are partners in this affordable housing project? What ecological and sustainability practices will be part of the project to reduce the project's short- and long-term ecological footprint? Does the project work towards other Official Community Plan goals (e.g. food security, culture, mobility, healthy living)?
22. Please provide a timeline in establishing the housing project. Please indicate when you hope to be open for business.
23. Please attach the following documents:
  - Budget and/or pro forma for the overall affordable housing project, including revenue and expenses for construction and long-term operation;
  - Mission Statement and Strategic Plan for the project;
  - Design specifications for construction or renovation;
  - Three References confirming your ability to develop and manage housing-related projects.