To: Mayor and Council, Directors and Members of WDC, WHA, Mayor's Task Force on Resident Housing, and senior staff involved with housing.

From: Steve Bayly

Date: October 31, 2017

Subject: Resident Housing

Follows are notes and suggestions from my review of the report on the findings and draft recommendations of the Mayor's Task Force on Resident Housing.

Some interesting statistics were presented, some of which are new to Whistler's housing discussions. In my view the most relevant are:

- In the last 5 years, the Whistler workforce has added 2,700 employees to the workforce, however the 2016 total of 14,500 total jobs is about the same as the total number of employees in 2006/07 of 14,200.
- In 2010 the percentage of Whistler's workforce living in Whistler rose to 81%. Since 2010 this percentage has eroded down to 76% in 2016. The supply of resident housing increased dramatically from 2008 to 2010, the supply grew from 1,412 by 400 to approximately 1,900 in 2010. There has not been much new resident restricted since the addition of Cheakamus Crossing and Rainbow in 2010.
- The WHA waitlist for rental housing got down to approximately 25 applicants post Olympics and had grown to approximately 330 in 2016.
- The Whistler workforce is made up of 8,300 fulltime and 6,200 seasonal employees. Respondents of the Whistler Community Housing survey reported that 55% of the workforce rent, 45% own and 3-in-4 permanent residents rent market-homes. There are approximately 7,800 market and 2,400 resident restricted homes in Whistler.
- Redevelopment of older Whistler cabins which have often been rented as resident employee housing are usually redeveloped as vacation homes or permanent retirement residences out of the reach of the Whistler workforce. The 12 demolitions/new builds and 20 major renovations in 2016 may have displaced as many as 200 beds of employee housing in 2016.
- The market price increases for Whistler homes have been dramatic and the gap between market and resident restricted has widened especially for single family homes.
- Seasonal staff getting together to rent a market home can usually pay higher than a family for a market home. The higher number of seasonal staff in recent years further exacerbates the affordability of market home rentals by Whistler families.
- The pace of Whistler's economic growth is unlikely to sustain.

While these and other statistics give insight there isn't an analysis or estimate within the report of the amount and types of greatest need other than the suggestion that 1,000 beds may be delivered over 5 years from a number of initiatives. In my view, 1,000 beds fall short of the current need. Most concerning is that 850 of the beds are predicted to come from in-fill (300) and private sector development (550) where Whistler has had little success in the past.

Whistler has gained 2,500 employees in the last 5 years. It should be noted that Whistler lost an equivalent number of employees from 2007 levels to 2010/11 as a direct result of the economic downturn and post-Olympic doldrums. As such, the recent "growth" is merely a manifestation of the return to baseline conditions. Lack of employee accommodation has seen staffing and service levels compromised throughout the resort. In my view, total additional employee beds needed to run the resort at build out may be as high as 2,500 new beds and that is before such things as future leakage to gentrification. If, for example, 200 beds of resident employee housing is lost each year from 12 demolitions/rebuilds and 20 major renovations of market homes (less than 0.05% of total market homes) Whistler will lose 1,000 resident employee beds in the next 5 years from demolitions and rebuilds alone. If this is the case, the 1,000 new beds recommended by the task force would only just offset these 1,000 beds lost and Whistler will be exactly where we are today. If, instead of the 1,000 projected, only 500 new beds are actually created in the next five years we could be much worse off than we are today. The resort and its service levels will have been further strained for an additional five years.

No doubt Whistler's future pace of growth will not sustain. We have a bed-unit cap that we are just now arriving at. The shortfall of resident housing illustrates a lack of balance between the build-out condition and the staffing requirements to meet build-out. We are not suggesting housing for future growth rather catch up and sustain what we currently require.

Attached to this letter are some history on the provision of resident housing in Whistler and more detailed notes on the task force recommendations.

Whistler was a leader in the provision of resident employee housing. The WDC/WHA have the tools and expertise to get on with a program of additional resident housing on the Legacy Lands in Cheakamus Crossing. From my experience satisfying the full amount of the need in the next five years is unachievable but the goal and method set by the task force won't be enough. I encourage Whistler Council to resolve to:

1. Develop 1,000-1,500 new beds in Cheakamus Crossing as soon as possible using the proven WHA model;

2. Pay back the taxpayer debt and provide cash equity for housing projects with a 30-lot single family market subdivision in Cheakamus Crossing;

3. Complete layouts, zoning, and approvals for the build out of Cheakamus Crossing so that 100 beds per year can be added in the future if needed;

4. Once Cheakamus Crossing debt is repaid, merge the WDC and WHA so that Whistler has one entity with separation from Municipal Hall and a clear mandate for the provision of the necessary housing;

5. Continue the enforcement of nightly rentals by the Bylaw Department, continue the Home Run program, and look to in-fill and private development to help offset employee beds lost to gentrification while respecting the needs and rights of single family neighbourhoods.

Steve Bayly

Background on Whistler's Resident Housing

Pre Whistler Housing Authority (WHA), the Whistler Valley Housing Society advocated for and built housing projects including Lorimer Ridge, Nordic Court and Whistler Creek Court. The Whistler Valley Housing Society still exists and owns a 20 unit townhouse project in Creekside where rents are related to income and subsidized when income is low. This project is not owned by the municipality rather the Housing Society.

Employee Housing Works and Services Fund

The RMOW charges an Employee Housing Works and Services charge on all new commercial development based upon an estimate of the number of new employees to be generated by the businesses in the development. While there is an option to build employee housing, and Whistler/Blackcomb did, most did not have the option within the zoning of the individual projects so paid the RMOW the Works and Services Charge in lieu. By 1997 the RMOW had collected approximately $6M in the Employee Housing Works and Services fund.

By 1997 there was an acute housing crisis. The Whistler community was upset that the RMOW had collected $6M in employee housing Works and Services charges yet the municipality had not got on with the provision of the needed housing in any meaningful way.

The WHA was created to advocate and get on with the creation of housing in a meaningful way. The WHA would focus on the creation of resident/employee housing and rely upon outside directors with investment and development experience.

Background - WHA

At the inception of the WHA back in 1998 there was concern with municipal risk. This was not surprising as the RMOW had almost bankrupted itself with the Whistler Land Company, in particular with municipal guarantees on the Whistler Land Company debt.

To mitigate RMOW/taxpayer risk, the WHA used only the $6M employee housing Works and Services fund as equity, bought land and built rental buildings, but did not offer or give any municipal guarantee. While the WHA advocated for the construction of resident restricted ownership units, with the exception of 12 townhouses at Beaver Flats, ownership units were built by others. Financially, the WHA stood entirely on its own. In a worst case scenario we would have lost the $6M and that would have been that. We made it well known that the WHA was not funded by or a risk to the RMOW or its taxpayers. In fact, the WHA has actually lightened the taxpayer burden as the covenant restricted housing was now administered by the WHA not the taxpayer funded RMOW planning staff. The WHA now manages the covenants and regulations on 1091 units of restricted housing owned by residents and 852 restricted rental units of which 232 are owned by the WHA. WHA staff is paid from the net income from the WHA rental properties not by the RMOW or its taxpayer.

The three main fundamentals at the beginning of the WHA were:

1. Projects had to stand alone with no municipal guarantee.

2. Mitigation of risk to any rising interest rates was a paramount concern as rising interest rates would be the main risk over time. The resolve was to avoid short term loans and only finance with very long term fixed rates and shorter amortization type mortgage loans.

3. The WHA would not manage its own properties, the WHA would use an independent property manager to curtail bureaucratic growth into property management and political influence of day to day property management. The WHA would act like a typical large investor landlord creating policy only.

Twenty years later the WHA has 211 rental units made up of 2120 Nordic Drive (20 townhouse units), 2400 Dave Murray Place (Beaver Flats - 57 apartment units), 6320 Lorimer Court (14 townhouse units), 7525/7351 Seppos Way (Nesters – 53 apartment units), 1050 Legacy Way (55 apartment units), 5151 Nita Lake (9 townhouse units), 6415 Balsam (sf house with suite) & 2110 Sarajevo (Gondola Village 1 apartment unit). The WHA is nearing completion of a 27 unit project at 1310 Cloudburst Way. The WHA has significantly paid down its original debt, and has a strong cash flow. The market value of these properties as rental units at an average of, say, $400,000 per door, is $84M. The units have strong rental income and cash flow. The combined total debt on these units has been paid down to less than $10M. The units are all strata titled so could be sold off individually should the need ever arise.

Background – WDC

Pre 2010 Olympic Games and the WDC, the WHA and others needed to buy and service lands for resident housing. Often projects with resident restricted ownership units were tagged onto larger subdivisions within the approval process. With Nordic and Beaver Flats the WHA subdivided off a single family market lot to mitigate land cost. It became an accepted fact that while resident housing could support construction cost it really needed free land to work financially.

As a condition of supporting the 2010 Olympic bid, the Province agreed to grant the RMOW Legacy Lands for the purpose of resident housing.

The Whistler Development Corp (WDC) was created and charged with the servicing of the Cheakamus lands, the development of Whistler's 2010 Athlete Village, and the conversion of the 2010 Whistler Athlete's village into the Cheakamus Crossing neighbourhood. Post 2010 the WDC delivered the Youth Hostel and 1060 Legacy Way by sales to Hostelling International and the WHA respectively as well as 221 units of resident restricted ownership homes. The WDC also built and sold the 20 Riverbend market townhouse units, 9 Madeley Place single family market lots and 4 multi-family market townhouse/apartment sites. Rather than sell the remaining multi-family market sites to retire its debt the WDC most recently conveyed these multi-family sites to the WHA as they were deemed most suitable for future WHA rental apartments. The remaining WDC debt is about $8M. The WDC business plan would have seen the sale of the multi-family sites recently given to the WHA sold as market sites and would have repaid the WDC's remaining debt still outstanding to the RMOW taxpayer.

The Provincial covenants mandate the Legacy Lands for resident housing. Debt repayment can be from market residential sales of the Legacy Lands, however, proceeds must only be used for resident housing and, specifically, may not be paid to the RMOW for other use.

When the WDC develops Phase 2 in Cheakamus Crossing, the WDC could and should develop a subdivision of, say, 30 single family market lots for sale and a number of multi-family sites for future resident housing. Proceeds of the single family market lots would retire all existing debt, pay for Phase 2 servicing costs and provide several million dollars as additional equity for future rental projects. A rough estimate would be $500,000/potential lot or $15 million raised to repay taxpayer debt of $8Million and provide $7 million as equity for future projects. To mitigate risk, with all approvals in place, the WDC should pre-sell the single family lots as a package to a developer prior to servicing.

Expectations – Private Developers

Conditions in Whistler are not similar to elsewhere. Private initiatives have seen little success in Whistler. One of the problems is that our housing covenants control rent increases that a large institutional or sophisticated investor would not likely tolerate. Another restraint on private sector development of employee restricted rentals is the cost of land and the lack of suitable land. Private developers are burdened with income tax when amortizing loans.

In contrast, the WHA/WDC have suitable free land at Cheakamus Crossing and elsewhere, could amend its own WHA covenants in the future if required, and do not pay income tax. When amortizing a loan, every dollar of debt repayment requires $2 of income for the typical investor owner. The WHA does not pay income tax so has a huge advantage when paying down debt.

Expectations – Businesses stepping up

Whistler Blackcomb, Chateau Whistler, and other larger Whistler businesses have had the land and financial horsepower to step up and provide for some of their own employee housing needs. Typically, while many small businesses have also stepped up, many cannot.

Another aspect to businesses stepping up may be the argument that they already have. The municipality took on the responsibility for employee housing by collecting the Works and Services fund in lieu of commercial properties and businesses building their own housing. Unlike other jurisdictions, by collecting the Works and Service charges the RMOW has taken on the responsibility to provide the needed housing so has an obligation to do so.

It is also noteworthy that the WHA housing is available to all resident employees including those working in businesses and institutions that did not pay into the Works and Services fund. In fact, the Works and Services fund was used to provide housing for school teachers, bus drivers, health care workers, and municipal workers, not just for the employees of the businesses who paid in lieu. While I don't think this policy should change it is noteworthy when requesting businesses to step up that many already have and in fact paid for resident employee housing for RMOW employees and the community workforce as a whole not just the businesses that paid into the fund.

Notes on Task Force Recommendations

The task force has come up with 7 recommendations to achieve 1,000 new beds of resident housing over the next five years:

1. Initiated Early deliverables

Crackdown on nightly rentals of residential zoned (not tourist zoned) properties.
Municipal enforcement against nightly rentals in Whistler's residential areas is not new. Resident employee housing was being lost to British chalet rentals in the late 80s and early 90s. The additional enforcement this year was overdue.

I think it is, however, important to recognize that not all of the residential properties which were being used for nightly rental for tourists will morph into resident employee housing. For example, the beds in a residential home might have been rented by the night for tourists for, say, 2 or 3 weeks while the resident goes on vacation. As well, I have heard of a woman who moves in with her boyfriend in his home and rents her home out by-the-night to tourists for Christmas and President's week to help pay for her property taxes. Also, there are a number of landlords who will simply go underground or use word of mouth to continue their tourist rentals in more of a black-market style.

The predicted creation of 100 employee beds from the nightly rental crackdown may be overly optimistic.

2. Focus on improved utilization of our existing housing stock

Home Run:

- a matching program for **residential property owners to rent their properties to businesses** with the goal of increasing affordable housing supply to local residents

Home Run was reported as creating 30 new homes for resident employees

It is important to note that the Home run program has not necessarily added 30 new homes or beds for resident employees. Some of these properties were previously leased for employee housing. I know of one example where a woman was paying $650 a month for her one-bedroom in a shared home last year and that room is now renting through Home Run for $1000 a month. With Home Run I think it is important to get a handle on the facts including the history of the property and whether or not the property was previously resident employee housing. As well, the Municipal cost of staff time and advertising should be quantified and considered. At the beginning of November this year Home Run will have 2 single family homes and a townhouse. One of the homes was previously a weekend ski cabin which is now owned by an offshore investor who plans to redevelop the home in a couple of years. The other two properties were previously rentals. While I don't think the Home Run program should be scrapped, the amount of additional employee beds it will create is, in my view, modest.

3. Update development charge contributions to support resident housing projects
Ensure new construction developments are contributing to providing new employee housing

Target Audience: developers of new commercial, industrial and tourist accommodations that generate additional employees

i. the bylaw change is intended to ensure ongoing charges **keep pace with inflation** to support the generation of funds for employee housing and,

ii. Bylaw is to be **applicable to relevant new developments** which generate additional employees

- any significant new development to provide employee housing as a condition of rezoning

RMOW has to be consistent. On the one hand, the task force recommends developments that provide employee housing as a condition of rezoning yet, most recently, the RMOW administration has come out against the request from some industrial land owners to have more than one employee residence for their staff on large industrial parcels.

Another aspect to Works and Service funds paid and businesses stepping up may be the argument that they already have. The municipality took on the responsibility for employee housing by collecting the Works and Services fund in lieu of commercial properties and businesses building their own housing. Unlike other jurisdictions, by collecting the Works and Service charges the RMOW has taken on the responsibility to provide the needed housing so, in my view, has an obligation to do so.

The Housing Authority was not funded by the tax payer rather monies from the Works and Service charges paid for by commercial developments. In turn, the WHA advocated for resident housing and built a number of rental projects all of which are made available to both those employees of the businesses in premises that contributed Works and Service charges as well as employees from such things as schools, health care centres, municipality, etc. who did not contribute to the Works and Service charge fund. I have been very much behind and supported having Whistler's resident housing available to all employees but am taken aback when the RMOW helps themselves to resident housing and, in fact, gives priority to some of its employees and then argues that it is up to businesses to step up.

4. RMOW to build more resident restricted inventory to meet the needs of the permanent resident workforce

Target Audience: permanent resident workforce- both renters and aspiring home owners
Specifically:
a) WHA's four new projects
b) complete evaluation of municipal owned lands for prioritizing resident restricted developments:
- planning for Cheakamus Crossing expansion
- both rental and ownership opportunities

- while retaining longer term options for land assets as the community continues to evolve
Expected outcomes:

- current WHA projects will deliver 230 new beds, or 50% increase in WHA rentals
- address the rising waitlists for rental and ownership for permanent resident workforce

Examples:

1. 1310 Cloudburst (Lot1A)- 27 new rental units, 75 employee beds (ready winter 2017)
2. 1020 Legacy Way- 23 new rental units, 53 employee beds (ready winter 2018)
3. 8350 Bear Paw Trail- 20 new rental units, 39 employee beds (ready winter 2018)
4. 1330 Cloudburst (lot 1B)- 40 new rental units, 60 employee beds (ready winter 2019)

In my view, the current WHA projects are real and achievable. The WHA has a strong financial position and is proven with this type of project. The WHA has been a success model with its creation of resident housing and in particular with its own rental projects which have not only helped the employee housing needs but have also been very good business. The rental projects have positive cash flow and have retired about half of their original debt.

The Whistler community received Legacy Lands from the provincial government for the purpose of resident employee housing in consideration of supporting the 2010 Olympic bid. These Legacy Lands were neither granted nor can be used for general municipal purposes. So "retaining longer term options for land assets"rather than building resident housing on the Legacy Lands seems odd.
Resident housing in Whistler was funded from Works and Service charges paid on the development of commercial properties. The tax payer did not fund resident housing and this fact has been important for community and tax payer support for resident housing. The tax payer has an 8 million dollar loan outstanding on Cheakamus Crossing which should be repaid.

In my view, the RMOW (WDC+WHA) should get on with Phase 2 of Cheakamus Crossing. Including a single family market subdivision on more costly rugged terrain within the Legacy Lands which is not suitable for resident housing to repay the tax payer and provide funds for substantial additional resident employee housing in Cheakamus. It should be noted that the WDC recently transferred 3 sites with over 200 bed units of market housing to the WHA and these market BUs were not used, are available, and are more than what is needed for the single family lots. It is likely that Cheakamus Crossing could support over 1,000 units or 2-3,000 beds of resident employee housing and should be used for that purpose.

Unfortunately, the preconstruction time frame from concept through approvals, budgets, etc. up to the start of construction takes about 2 years. A project, or projects, can be put on hold however the reverse is not true; they can't be fast forwarded. Accordingly, we recommend the WDC/WHA get on with a program to build a project a year for at least the next 5 years.

5. New & Expanded infill program to address loss of market homes

Target audience: existing homeowners and aspiring homeowners

- consider new and expanded infill options including ability to stratify
- apply to all neighbourhoods
- review existing restrictions and incentives to ensure viable for both existing owners and future buyers
- conditions include ensuring additional homes created are housing employees; contribute to livable and sustainable neighbourhoods

Expected Outcomes

- targeting up to 50 new employee homes (300 beds) in existing neighbourhoods; neighbourhoods where local workforce currently cannot afford to live
- helps address loss of market homes
- allows existing owners 'stay-in' options to help manage rising costs of ownership (e.g. liquidate some of their equity or generate rental revenue stream)
- multiple suites (attached/ or detached), duplex, lot split
    - recommendation is for any of these types to be stratified and sold, creating additional new employee homes
- expand from isolated zoning in Alpine South neighbourhood across Whistler more broadly- across all residential neighbourhoods
    - 75% of survey respondents indicated that they wanted to see increased density in single family neighbourhoods

In my view, with the exception of allowing suites over detached garages, infill housing in Whistler hasn't seen much success in creating additional resident housing. Whistler has had an infill policy in Alpine South for over 10 years and there were only one or two applications. In fact, this council turned down the last application and put a moratorium against further infill.

Among other things the devil is in the economics. Single family homes carry extra value over strata title as the owner has flexibility in the use, renovation and redevelopment of their individual property which is lost when a portion of the building is strata titled. Before spending a lot of staff time and ultimate wheel spinning some financial proforma to prove out economic viability should be considered. It is also noteworthy, that many of Whistler's single family subdivisions are bare land strata subdivisions and that the Strata Property Act does not allow the stratification of an existing strata lot.

The introduction of resident employee housing adjacent to existing single family neighbourhoods brought irate political opposition. Personally, I breathed a great sigh of relief with the Legacy Land bank. The introduction of more densification may likely cause many market homeowners to revert to the opposition to resident employee housing if they feel their neighbourhoods are threatened. In my view, the projection of 300 additional beds from infill in existing residential neighbourhoods ignores financial viability and, given Whistler's past experience with infills, is overly optimistic. Without financial incentive way beyond the past program I doubt there will be many takers.

6. Allow for development of resident restricted rentals on private lands that may be currently under-developed

Target Audience: a. employers to provide more staff housing b. permanent resident renters
- additional employer funded dorm style accommodations for seasonal staff housing
- private development of resident restricted multi-family housing on existing privately owned sites that may currently be underdeveloped

All evaluated for suitability of location, form and character, and housing types. Requires consistency with current and updated OCP.

Expected Outcomes:
- enhanced participation by businesses to accommodate staff
- alleviating some demand on market rentals by seasonal staff
- targeting 100% resident restricted housing to ensure ongoing availability for employee use
- more long term security of affordable rentals for permanent resident workforce

60% of renters are expecting to move in the next 12 months limiting the security of housing

- shares financial risk with the private sector

The task force projects 550 new beds with this initiative.

In my view, any success here will depend on the economics. The WHA has struggled to keep rents affordable even with free land, government grants and the ability to modify terms of the housing covenant. The WHA has the additional advantage as it does not pay income tax.
Ironically, on the one hand the RMOW doesn't want to use their Legacy Lands up yet on the other hand suggests a private developer or business will justify purchasing lands or using lands with value to create employee housing. Unless the allowable yields and restrictions are relaxed I doubt there will be much uptake. It is noteworthy that WHA rentals are about half of market and the hybrid model above the shopping centre at Rainbow is about 75% of market. The question will become how much incentive is necessary and at what cost to affordability. The projection of 550 beds within 5 years is likely overly optimistic and will not be achieved unless substantial financial initiative is allowed which will likely see the rents something like 50% greater that the WHA can deliver rentals at Cheakamus Crossing.

7. further refine resident restricted (RR) program to protect employee housing
- resident restricted homes eligibility to exclude: owners of market homes moving into RR, households not working fulltime in Whistler, non bona-fide self-employed individuals
- to ensure compliance with new government funding parameters, income thresholds will be established and monitored for all new WHA rental projects (eg BC housing for low—moderate income households- up to $99,910- dependent on the size of the rental unit)
- establish an income/asset verification framework to support the eligibility criteria
- more punitive penalties for offences with additional enforcement powers

In my view, some additional rule tightening and enforcement is required. I am concerned, however, with the strings attached to higher government funding and income testing. This is resident employee housing not affordable, welfare type housing. An affordable residential employee rental rate in Whistler may be well above that of social housing in other jurisdictions and the WHA must be careful not to get embroiled with social housing constraints.

Summary

The Mayor's Task Force recognized the need for additional employee housing but proposed only 1,000+ (actually 1,210) new employee beds being created over the next 5 years from their seven "multi-pronged" initiatives outlined above. In my view the projection of 30 new beds from the Home Run program, 100 new resident employee beds from the TA crackdown, 550 from private development and 300 from infill is overly optimistic.

Given that we have added 2,500 new jobs since 2011 I would personally be more inclined to think that we should be targeting at least 1,000-1,500 new employee beds to fill this need alone. In addition, if we are likely to lose 200 beds/year to gentrification we will also need to offset 1,000 beds from gentrification alone in the next 5 years for a total of about 2,500 beds. Perhaps 1,000 beds for gentrification can be partially offset with some of the task force proposed initiatives.

The 230 (actually 217) new beds that the WHA is currently moving on are realistic and achievable. Likewise, additional supply within Cheakamus Crossing is achievable but, in my view, the target should be more like 1,000-1,200 beds from the WDC/WHA on the Cheakamus Lands in the next 5 years.

The Achilles heel with the WHA's resident housing is interest rates. It is critically important that the WHA borrow long-term fixed rate for its projects, not short term. Ideally, the WHA should borrow 20-year fixed term loans with a 20 or maximum 25 year amortization. The WHA does not pay income tax so can take on the shorter amortizations. Since this time last year long term interest rates have moved up at least 0.5% and that trend is likely to continue. In hindsight this last year's delay on getting going with the next phase of Cheakamus Crossing has been costly to the long-term cash flow and ability to deliver the badly needed additional resident employee housing.