
BANFF HOUSING CORPORATION

Mandate Review 2008



Overview

Banff Housing Corporation (BHC) is at a crossroads. Its past success as a developer of cost-effective, sought-after quality housing for local residents has, to an extent, impacted its ability to do its job in the future.

The directors and management of BHC are aware of this. As a result of the current situation, and direction from Banff Council, the BHC board has brought forward seven key recommendations for Council to consider as part of its own review of the BHC mandate and operations.

The recommendations were discussed at length at a meeting of the board on Jan. 9, 2008, then further reviewed and revised following a meeting of the board on March 14, 2008.

The purpose of this report is to inform the shareholders of the BHC, represented by Council, of the BHC board's recommendations, and to seek council support for those recommendations.

As well, the report seeks to put the history and current practices of the BHC into perspective in an environment of escalating home prices in Banff and its neighbour to the southeast, Canmore.

While Banff has always faced a shortage of affordable, quality housing, what's happening in the rest of the Bow Valley is now having more of an impact in Banff than it once did, especially on housing prices, and this has brought even tougher challenges for the BHC.

The BHC Mandate

The BHC's mandate is outlined in the Town of Banff bylaw that governs it. The bylaw was last revised in 1998, and it clearly sets out the purpose of the BHC in Section 27 (S) of the bylaw. It reads as follows:

“The purpose of the Banff Housing Corporation is to help the Town of Banff maintain a healthy and balanced community. Our purpose is achieved by:

- *Developing and maintaining quality, value priced housing on Corporation sponsored housing projects;*
- *Removing the developer's profit;*
- *Providing housing of various types and densities;*
- *Providing efficiency in housing types and development methods; and*
- *Researching methods of financing and obtaining financial support of the best rates possible.”*

The bylaw also contains a long list of obligations of the BHC, principal among them that the corporation is not to receive a subsidy from the taxpayer, and that “new developments are not to adversely affect price/market value of existing housing stock.”

As Council members consider the BHC board's recommendations and the rationale for them, they are asked to keep a close eye on the BHC's stated purpose, and remember that a healthy and balanced community includes current BHC homeowners, those who may own a BHC home five years down the road, renters struggling to afford even the most basic of accommodations, business owners struggling to find accommodations for staff, and the taxpayers and citizenry as a whole.

The Basics

To date, the BHC has developed 173 housing units in Banff, including 45 with legal suites. It started its work in the mid-1990s and has traditionally operated by maintaining an equity share in each home it has created, with the size of the equity share varying by development from just under 20 per cent to slightly more than 32 per cent. It was the intent of the BHC that homeowners could benefit, to the extent of their equity percentage, from market growth. By holding an equity share in each home, the BHC has reduced the cost of each home to the homeowner. This also saved buyers money on mortgage payments and mortgage insurance.

The table below demonstrates the potential savings to a purchaser and assumes a property with a fair market value (FMV) of \$300,000:

Market property	FMV	Price to buyer	10% Down deposit	Principal financed	Mortgage Insurance premium*	Mortgage principal	Annual payment**
Market Housing	\$300,000	\$300,000	(\$30,000)	\$270,000	\$5400	\$275,400	\$20,294.36
BHC property sold at 80% equity	\$300,000	\$240,000	(\$24,000)	\$216,000	\$0	\$216,000	\$15,917.15
				Savings	\$5400		\$4,377.21/year

* 2007 CMHC mortgage premium on 10% down is 2% of principal to be financed

** Based on a 25 yr amortization period at 5.50% interest compounded monthly. Monthly payment includes principal and interest

The BHC has not traditionally employed a cap on the rate at which one of its homes could appreciate in value. This factor, combined with the hot Bow Valley real estate market, has led to significant increases in the selling prices of BHC homes. This has meant buyers attempting to acquire resale homes in BHC developments have, to an extent, lost the very advantages the BHC was established to offer the Banff community and the very first buyers of its homes.

Its latest project, 10 duplex units known as Middle Springs 2G on Jasper Way, was developed under a different model that's in line with the capped price growth concept. That is, the resale value of the homes developed in Middle Springs 2G can only increase by a maximum of two per cent compounded annually, regardless of factors such as double-digit percentage price increases in the Bow Valley and other Alberta hot spots. In a nutshell, a home that initially sold for \$425,200 to \$428,400 in 2G in 2007 can only be sold for a maximum of two per cent (compounded annually) more than that one year later. (See Table 1, page 5) The BHC has maintained an equity share of 20 per cent in 2G homes, meaning the total cost to the buyer is only 80 per cent of the home's average appraised value at time of construction.

Table 1

Maximum Resale Price

Price restriction two percent (2%) per annum compounded annually.

BHC does not guarantee that maximum resale price will be offered, housing sales are a function of market at the time of sale.

Note: For Information purposes only, actual maximum sale price to be calculated at time of sale (calculated by # of days in given yr at time of sale).

Unit	March 1st 2008	March 1st 2009	March 1st 2010	March 1st 2011	March 1st 2012	March 1st 2013	March 1st 2014	March 1st 2015
1	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
2	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
3	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
4	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
5	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
6	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
7	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
8	\$425,200	433,704	442,378	451,226	460,250	469,455	478,844	488,421
9	\$428,400	436,968	445,707	454,622	463,714	472,988	482,448	492,097
10	\$428,400	436,968	445,707	454,622	463,714	472,988	482,448	492,097

BHC Homeownership Goals

Recommendation 1: In the near term, the BHC should create 126 apartment/condominium style units by 2015.

This recommendation is in line with two BHC board motions passed in January 2007 (BHCD07-005 and BHCD07-006). They called on the BHC to establish an ownership target of 8 to 12 per cent of Banff’s apartment-style condominium units by 2015, and a similar ownership target for single family/duplex/fourplex/triplex/row housing within Banff as non-market housing at any given time.

The BHC currently meets the targets for single family/duplex/fourplex/triplex/row housing units (please see Table 2, page 7), but has no apartment/condominium-style housing units in its current portfolio. It is currently considering plans for development of approximately 42 apartment-style housing units on vacant parcels of land on Cave Avenue. The development application for these units has not yet been filed with the Town of Banff. These units would amount to roughly one quarter of its target goal.

The rationale for this recommendation is straight forward. Apartment-style housing units for purchase or rent have long been missing from the BHC portfolio, but are needed to help the BHC better serve the community, and to help it in achieving its purpose of “providing housing of various types and densities.” The recommendation would help young Banffites who are truly part of the “community glue” of Banff to achieve homeownership. Simply put, much of the resale Middle Springs housing stock developed by the BHC is now beyond the financial means of people like junior hospitality industry managers and young professionals. Apartment-style condos through the BHC would provide an earlier entry point to homeownership in Banff for people the community values and wants to keep.

Table 2

BHC's Current Situation – December 31st 2007

2007- BANFF Census

(below data does not include the following categories: vacant (140); under construction (74); vacant lot (15); and unknown dwelling (11) unit counts)

The total number of units in both homeownership and rental ** are as follows:

Dwelling Unit (H/O & Rental)	2007 Census	8% (rounded)	12% (rounded)	Current BHC units	% of 2007 census
Single detached	411	33	49	32	7.79%
Suite in SD	190	15	23	45	23.68%
Duplex	305	24	37	78	25.57%
Fourplex/Triplex	434	35	52	0	0.00%
Row (Town) House	393	31	47	62	15.78%
TOTAL	1733	139	208	217	12.52%
Dwelling Unit (H/O & Rental)	2007 Census	8% (rounded)	12% (rounded)	Current BHC units	% of 2007 census
Apartment Total	1580	126	190	2	0.001%

****Note: the above does not include the following dwelling types per the 2007 census: 1- other moveable dwelling; 3- collective dwellings; 11 Single dwelling attached; 25- Non residential building; 29- Collective dwelling; 1- Other**

Because we do not know what the census workers classified as fourplex/triplex, one could say that they are the same as town houses, therefore the total combined units of this type would be 827 (110+258+324+135) and the BHC has 62 or 13% of this type of dwelling unit.

Registered Resale List

Recommendation 2: The BHC should implement changes to the Registered Resale List (RRL) process and point allocation in the first quarter of 2008.

The RRL is the vehicle through which the BHC sells existing BHC properties. Changes specific to the RRL's scoring criteria etc. have been approved by the BHC board and will be implemented in 2008. The key change in the criteria gives greater preference to applicants who do not own (personally, jointly, indirectly, or through business assets) any dwelling unit anywhere. In a nutshell, it means greater preference than in the past will be shown to those who do not currently own property. A copy of the revised policy is attached to the information package, however the changes are as follows:

- 1. Increasing the points for not owning property from 10 to 50 points**
- 2. Establishing a definition for dependents specific to: shared custody; full time residence; part time residence**
- 3. Increasing the one-time application fee to \$50 from \$25**
- 4. Requiring that applicants re-confirm their willingness to be on the waiting list on an annual basis**
- 5. Requiring applicants to provide a mortgage pre-qualification letter signed by a Lender**

BHC Rental

Recommendation 3: The BHC should:

- 1. Assign funding to begin the process of tracking rental rates and rental construction within the Town of Banff from 2008 forward.*
- 2. Through the Town of Banff's landuse bylaw review, the Town of Banff should look at ways to explore partnership solutions for the creation/provision of increased floor area ratios in landuse districts and to create programs that encourage the creation of new secondary suites.*
- 3. Creating a small rental portfolio that will enable the BHC to cover 50 per cent of its annual operating costs.*

Given that the BHC's purpose is achieved under its bylaw by "developing and maintaining quality, value-priced housing" and by "providing housing of various types and densities," the board feels the BHC needs better information regarding rental rates and rental construction costs in Banff. This recommendation is in line with Recommendation 1, which calls on the BHC to create 126 apartment/condominium style units by 2015 (with the expectation those units will include a mix of homeownership and rental units).

The BHC's best official source of information on rental units in Banff comes from the province's rental unit survey done each summer. The survey takes into account 342 rental units. BHC administration feels the survey results for Banff are not reflective of the community because 97 per cent of the surveyed units are 10 years old or older, therefore this sample doesn't take into account higher costs associated with newer construction. Administration feels newer units have higher rents than those covered in the survey.

The survey found the average monthly rental rates for 2007 to be: \$584 for a bachelor suite, \$780 for a one-bedroom apartment, \$957 for a two-bedroom apartment, \$1,067 for a three-bedroom apartment and \$1,500 for a dwelling unit with four or more bedrooms. Anecdotal evidence suggests rents are higher than those captured in the province's survey. Administration also feels funding should be set aside to track rental rates beginning in 2008.

The second part of Recommendation 3 addresses another potentially controversial topic: residential densities. It relates also to the Affordable Housing Plan discussed in Recommendation 4.

The BHC board feels the landuse bylaw review (which will occur only after the federal government signs off on the new Banff Community Plan already approved by the previous Council) should look at ways to incorporate more legal secondary suites in neighbourhoods where such suites are compatible.

Embracing Positive Change

Recommendation 4: The BHC shareholders and board should craft a position specific to addressing community-building residential housing projects. The position should emphasize the positive: social benefits of housing construction, environmental benefits of intensification and densification within the Town of Banff's existing footprint, and the necessity of quality housing construction in order to meet the service sector's housing needs.

The BHC board and its administration feel there is a need for a consistent message regarding new non-market housing development that should be communicated by both the board and shareholders of the BHC.

Given Banff's limited land base, intensification or densification of new development is not only appropriate, but a necessary solution to Banff's residential housing challenges. Specific to future BHC developments and all residential developments, residents must always be afforded an opportunity to voice their concerns through the development process, however initiatives that benefit the greater good of the community and **conform** to the existing landuse bylaw need to be balanced against the interests of a group of individuals or any individual landuse area.

Again, guidance on this issue comes in part from the BHC bylaw. It states: "Our purpose is achieved by: providing housing of various types and densities and by providing efficiency in housing types and development methods."

Given that Banff's recent history includes appeal board decisions that have rejected housing developments that have met required setbacks and limits as set out in the landuse bylaw, the board feels leadership and a consistent message are needed from the shareholders and board espousing the public good of orderly, compact housing to serve the greater social needs of the Banff community.

The BHC board views the success of its Middle Springs housing developments as an indicator of what well-planned non-market housing projects can bring to a community. While much of the credit for the strong neighbourhood feel of Middle Springs must go to the homeowners who have invested their time and personal resources in their community, the BHC requirement that a home must be occupied by the owner set the table for success.

The BHC board feels strongly that future BHC projects scattered throughout Banff have the potential to positively impact existing neighbourhoods while addressing Banff's housing shortage.

Affordable Housing Plan

Recommendation 5: As the Affordable Housing Plan (AHP) has been approved, The Town of Banff should implement the approved programs as identified in Schedule A of the AHP while concurrently working with Alberta Municipal Affairs and Housing to address shortfalls: in the province's rental market survey and average Banff rental rates, and the Core Needs Income Threshold (known as CNIT) requirements of the AHP, with an aim to creating more flexibility in the AHP's criteria.

In 2007 Province of Alberta made funding available to support affordable housing initiatives on a per capita basis. There are three key criteria a municipality must demonstrate to receive funding: population growth over 2.79%; vacancy rate under 1.7%; and an average rental rate for a 2-bedroom unit above \$620. Banff received category two funding (2/3 criteria met) and this funding is broken out from 2 sources: the Municipal Sustainability Housing Initiative (MSHI) and the Capital Enhancement Fund (CEF).

For 2007 Banff can access \$340,234 (\$204,140 MSHI + \$136,094 CEF) in funding and the province has committed to providing municipalities 80% of the 2007 MSHI funding in 2008/09 and 2009/10 provided municipalities continue to meet the eligibility criteria for funding. Municipalities must provide the province with an Affordable Housing Plan (AHP) for approval in order to access the available funding, The Town of Banff 's AHP has been approved (both municipally and provincially) and the funding has been received. Below is a detail of the Town of Banff's AHP:

1. The plan will use \$5,103.50 in grant funds to offset administration costs in support of the AHP.
2. The BHC will commit \$305,130.50 towards the capital costs of its envisioned project on Cave Avenue. There is no commitment from the Town of Banff for the occupants of the Cave Avenue housing units to meet any specific income criteria stipulated by the province.
3. The Town of Banff will initiate a \$30,000 secondary suite program that subsidizes applicants up to \$3,000 each for the creation of new secondary suites. A new suite could include an existing suite that hasn't received a development approval but is situated in a landuse zone that allows for secondary suites. Applicants who choose to apply for assistance under the plan must sign a statutory declaration indicating: that for a five-year window, the beneficiaries (renters) of the suite will meet the CNIT, and that the rent for the unit will be at or below the average rent for a comparative type unit in Banff as determined by the province's rental housing survey.

Administration believes that the province's requirement that the applicants for the secondary suite program sign a statutory declaration ensuring that: the beneficiaries (renters) of the suite meet Core Need Income Thresholds; and that the unit(s) be rented for less than the established average rent for a comparable unit in Banff, will impede the ability of the program to succeed.

Per the province of Alberta:

Type of Unit	2007 CNIT	2007 Banff Rental Average	2006 Banff Rental Average	2005 Banff Rental Average
Bachelor	N/A	\$584/month	\$583/month	\$545/month
1 Bedroom	\$33,000	\$780/Month	\$771/Month	\$723/Month
2 Bedroom	\$40,500	\$957/month	\$941/month	\$866/month
3 Bedroom	\$47,000	\$1067/month	\$1059/month	\$989/month
4 Bedroom	\$50,000	\$1500/month	\$1500/month	\$1500/month

Current BHC Properties

Recommendation 6: In the future, the BHC will change the manner in which its equity share is transferred on resales. To this end it will:

- 1. Notify homeowners that from 2010 or 2012 or 2015 (date to be discussed) forward, the BHC will retain a maximum 20 per cent equity share in properties where the BHC has an equity share.*
- 2. Notify homeowners and Registered Resale List applicants that from 2010 or 2012 or 2015 forward, the BHC will be requiring purchasers to sign an amended sublease agreement that will restrict the future annual increase in the resale price of their homes to a maximum of two per cent annually compounded annually.*

Project	Homeowner Equity			Total
	Units >80%	Units 70-79.99%	Units 65-69.99%	
Riverview	0	7	11	18
MSIIA	0	0	14	14
MSIIB	17	5	2	24
MSIIC	1	15	1	17
MSIID	3	17	13	33
MSIIF	10	11	0	21
MSIIE	10	26	0	36
TOTAL	41	81	41	163
Total as a %	25.15%	49.69%	25.15%	100.00%

The recommendation has wide-ranging implications for current and future BHC homeowners. It is seen by the board as perhaps the most contentious of its recommendations, but also the cornerstone of ensuring long-term affordability in the Banff housing market for family housing.

The move to standardize the BHC's equity percentage in homes in its portfolio to 20 per cent (over time, not all at once) would have two key outcomes.

Firstly, it would reduce the likelihood of a buyer paying more for a specific property simply because the BHC's equity share in that property is substantially higher. For example, a three-bedroom property in which the BHC holds a 32 per cent equity share that sells for \$500,000 only costs the buyer \$340,000 in cash outlay. The same property

and selling price of \$500,000 would cost the same buyer \$400,000 in cash outlay if the BHC's equity share is only 20 per cent.

The board is concerned that homeowners with a relatively small equity share (less than 70 per cent) have effectively encroached on the BHC's equity when they've put their homes on the market.

Consider the following example. Two very similar BHC Middle Springs homes and one non-BHC home are each appraised at \$530,000. The BHC's equity share in the first home is 20 per cent. The BHC's equity share in the second home is 32 per cent. If all three homes are priced for sale at \$530,000, the cost to the buyer will be \$424,000 for the first BHC home (80 per cent of \$530,000), \$360,400 for the second BHC home (68 per cent of \$530,000), and \$530,000 for the non-BHC home.

Realizing the fact a potential buyer will pay considerably less to acquire his home of equal value, the owner of the second BHC home with a 32 per cent BHC equity stake decides to price his home higher. He asks \$600,000 for it instead of \$530,000. Even at that price, the cost to the buyer to acquire his home is only \$408,000 (68 per cent of \$600,000). The net cost to the buyer is still \$16,000 less than it would be for the similar Middle Springs home in which the BHC holds a 20 per cent equity share, and \$122,000 less than it would be to acquire a market home. The pricing of the second BHC home encroaches on the BHC's equity.

If the transaction goes ahead, the home is less affordable than it should be, but the BHC receives no cash for its equity. That means it has no additional funds to spend on creation of affordable housing units. The encroachment process moves the BHC further from its goal of developing and maintaining quality, value priced housing.

The BHC can exercise its right-of-first-refusal to purchase the home, or request that the purchaser buy out the BHC equity share, but that would require board intervention in practically every sale.

It's expected that requiring future buyers to pay 80 per cent of the true cost of all BHC homes will have a levelling effect on the resale prices of BHC homes, reducing the capacity for encroachment, especially in tandem with capping increases in prices to a maximum of two per cent annually (compounded annually) for new sublease holders from 2010 or 2012 or 2015 forward. These changes are intended to make the homes more affordable for future buyers.

The second outcome that will result from moving to a standard 20 per cent BHC equity share in each home is a significant cash inflow to the BHC as sales proceeds. This cash will ultimately help fund new BHC developments – developments that will provide needed non-market housing options for long-time Banff citizens who aren't currently able to obtain market or non-market housing in their price range for purchase in Banff.

Based on the estimated 2008 fair market values of the seven BHC projects that do not have a 20 per cent standardized BHC equity share, the BHC could realize revenue of up to \$4.29 million once all properties are converted to an 80/20 equity split between homeowners and the BHC. This estimate assumes market values of BHC homes won't be significantly chilled by this policy shift.

It should be noted that back in early 2005, some third-party experts who reviewed various policy options regarding the BHC's equity share in projects predicted a drop in prices of BHC homes from such a policy shift.

Table 3

**MIDDLE SPRINGS DEVELOPMENTS
SALES AT 80%**

Project	Appraised Value	BHC % Ownership	Homeowner % ownership	Assumptions 2008 FMV	Sale at 80%	BHC receiving (BHC paying)
Riverview	\$4,965,000	30.6%	69.4%	\$9,800,000	10.6%	\$1,036,078
MSIIA	\$3,875,000	32.3%	67.7%	\$7,350,000	12.3%	\$903,000
MSIIB	\$6,594,000	20.24%	79.8%	\$11,775,000	0.2%	\$28,290
MSIIC	\$5,030,500	24.98%	75.02%	\$8,250,000	4.98%	\$411,093
MSIID	\$10,858,000	27.69%	72.31%	\$18,800,000	7.69%	\$1,444,922
MSIIF	\$5,585,250	22.19%	77.81%	\$9,450,000	2.19%	\$206,693
MSIIE	\$11,501,338	21.16%	78.84%	\$21,930,000	1.16%	\$255,258
TOTAL	\$48,409,088	25.59%	74.41%	\$87,355,000	5.59%	\$4,285,334
MS2G	5,323,000			5,323,000		
	53,732,088			92,678,000		
Assumptions	2008					
SFS	\$680,000					
SF	\$650,000					
DPS	\$635,000					
DP	\$525,000					
THS	\$500,000					
TH	\$450,000					

Tempering that prediction might be the annual double-digit price growth in many of Alberta's and even Saskatchewan's hottest housing markets in the past few years. The fact Canmore is no longer an affordable housing option for many Bow Valley buyers also reduces the likelihood BHC values would fall through the floor as potential buyers snap up market housing in the Bow Valley.

The question on the minds of BHC shareholders, BHC homeowners and the Banff community as a whole is undoubtedly: "Is Recommendation 6 necessary to sustain the community?" The board feels it is, and that BHC data on home sales back up that assertion clearly. (See Table 4, page 16, documenting BHC home sales from 2001 forward.)

Table 4

Address	Initial Market Value	YR built	Resale Price	Equity	Price to buyer	YR re-sold	Increase in FMV	original FMV	since YR built
17 Fairholme (1/2 duplex)	316,297	1999	319,500			2001	3,203	1.01%	0.51%
11 Sulphur Court (1/2 duplex)	287,838	1997	332,000	83.10%	275,892	2002	44,162	15.34%	3.07%
24 Sulphur Court (townhouse)	275,232	1997	310,000	80.90%	250,790	2002	34,768	12.63%	2.53%
111 Middle Springs (townhouse/suite)	329,905	1998	N/A			2002	N/A	N/A	#VALUE!
205 Middle Springs (townhouse)	280,499	1998	292,000	71.70%	209,364	2002	11,501	4.10%	1.03%
203 Middle springs (townhouse)	312,114	1998	309,000	67.40%	208,266	2002	-3,114	-1.00%	-0.25%
AVERAGE			310,750		236,078				
13 Sulphur Court (1/2 duplex)	286,096	1997	361,000	83.10%	299,991	2003	74,904	26.18%	4.36%
22 Sulphur (Townhouse)	268,000	1997	307,000	80.59%	247,411	2003	39,000	14.55%	2.43%
8 Sundance Court (Townhouse)	272,750	2001	306,000	82.47%	252,358	2003	33,250	12.19%	6.10%
4 Fairholme (1/2 duplex/suite)	341,977	1999	365,000	76.06%	277,619	2003	23,023	6.73%	1.68%
AVERAGE			334,750		269,345				
24 Fairholme (single family)	355,500	1999	511,300	65.52%	335,004	2004	155,800	43.83%	8.77%
3 Riverview Court (1/2 Duplex)	252,298	1996	355,000	73.80%	261,990	2004	102,702	40.71%	5.09%
11 Sulphur Court (1/2 duplex)	287,838	1997	365,000	83.10%	303,315	2004	77,162	26.81%	3.83%
8 Sulphur (1/2 duplex)	287,836	1997	355,000	83.10%	295,005	2004	67,164	23.33%	3.33%
20 Sundance (Townhouse)	252,250	2001	293,500	74.67%	219,156	2004	41,250	16.35%	5.45%
113 Middle Springs (townhouse/suite)	302,000	1998	345,000	74.32%	256,404	2004	43,000	14.24%	2.37%
14 Sundance Court (Townhouse)	273,250	2001	300,000	83.28%	249,840	2004	26,750	9.79%	3.26%
213 MS Drive (Townhouse)	275,000	1998	316,000	70.92%	224,107	2004	41,000	14.91%	2.48%
AVERAGE			355,100		268,103				
31 Fairholme Place	251,500	1999	355,000	100.00%	355,000	2005	103,500	41.15%	6.86%
232 Jasper Way (1/2 duplex)	270,000	1996	400,000	66.20%	264,800	2005	130,000	48.15%	5.35%
316 Middle Springs Drive (1/2 duplex)	293,500	2002	400,000	78.64%	314,560	2005	106,500	36.29%	12.10%
311 Middle Springs Drive (1/2 dupl + suite)	312,667	2002	426,000	82.20%	350,172	2005	113,333	36.25%	12.08%
324 Middle Springs Drive (1/2 duplex)	295,000	2002	390,000	78.34%	305,526	2005	95,000	32.20%	10.73%
107 Glenn Avenue (Single Family)	315,000	1996	585,000	67.20%	393,120	2005	270,000	85.71%	9.52%
305 Middle Springs Drive (Single Fam/suite)	352,667	2002	470,000	75.99%	357,153	2005	117,333	33.27%	11.09%
12 Fairholme Place (1/2 duplex + suite)	325,500	1999	453,000	73.13%	331,279	2005	127,500	39.17%	6.53%
307 Middle Springs (Single fam + suite)	352,667	2002	470,000	75.77%	356,119	2005	117,333	33.27%	11.09%
309 Middle Springs Drive (1/2 duplex + suite)	312,667	2002	437,500	82.20%	359,625	2005	124,833	39.93%	13.31%
AVERAGE			438,650		338,735				
18 Sulphur Court (townhouse)	273,000	1997	417,000	76.50%	319,005	2006	144,000	52.75%	5.86%
21 Sundance Court (townhouse)	246,750	2001	316,000	72.88%	230,301	2006	69,250	28.06%	5.61%
3 Sundance Court (townhouse)	272,250	2001	403,000	81.29%	327,599	2006	130,750	48.03%	9.61%
328 Middle Springs Drive (Single Family)	334,667	2002	454,000	74.79%	339,547	2006	119,333	35.66%	8.91%
232 Jasper way (1/2 duplex)	270,000	1996	432,000	66.20%	285,984	2006	162,000	60.00%	6.00%
11 Sulphur Court (1/2 duplex)	288,000	1997	476,330	83.10%	395,830	2006	188,330	65.39%	7.27%
AVERAGE			416,388		316,378				
24 Fairholme Place (Single family)	355,500	1999	513,500	80.00%	410,800	2007	158,000	44.44%	5.56%
22 Fairholme Place (1/2 duplex)	296,000	1999	449,000	80.00%	359,200	2007	153,000	51.69%	6.46%
324 Middle Springs Drive (1/2 duplex)	295,000	2002	450,000	78.34%	352,530	2007	155,000	52.54%	10.51%
211 Middle Springs Drive (townhouse)	275,000	1998	449,000	70.97%	318,655	2007	174,000	63.27%	7.03%
302 Middle Springs Drive (1/2 duplex)	303,000	2002	462,500	77.00%	356,125	2007	159,500	52.64%	10.53%
AVERAGE			464,800		359,462				
	Average 2005-7		438,516		337,282				

The chart notes relatively modest annual percentage price growth of BHC homes sold from 2001 to 2004. Indeed, only four of 18 BHC homes (22.2 per cent) resold from 2001 to 2004 had an annual rate of price growth of more than five per cent from the year they were built until the year of their resale. Only one of those four homes had average annual price growth over 6.5 per cent.

In contrast, nine of the 21 homes (42.8 per cent) sold from 2005 to 2007 experienced average annual price growth of greater than 10 per cent from the year of their construction to the year of their resale. Fourteen of 21 (66.7 per cent) had average annual price growth of more than seven per cent, and all 21 had average annual price growth from their year of construction to year of resale of more than five per cent. That rate of annual price growth exceeded the rate of inflation in Canada for every year since the BHC started developing homes in the mid-1990s.

The average selling price (including both the homeowner's equity share and the BHC equity share) of 21 resale BHC homes sold from 2005 to 2007 was \$438,516. The average price to buyer during 2005-2007 was \$337,282.

In contrast, the average selling price of 43 price restricted three-bedroom homes sold through the Whistler Housing Authority from 2005 to 2007 was \$333,648. The average price to the BHC buyer was 1.1 per cent higher ($\$337,282/\$333,648$) during this same window of time.

This occurred despite the fact Banff's housing prices are considered by some to be artificially low due to the need-to-reside rule from Parks Canada, and that Whistler is looking at the boom effects of the coming 2010 Winter Olympic Games.

Table 5

Whistler Housing Authority 2005-2007

Date of Sale	Number of Bedrooms	Resale price	Annual Averages
2005			
Feb-05	3	\$289,694	
Feb-05	3	\$305,284	
Apr-05	3	\$245,519	
Apr-05	3	\$303,607	
Apr-05	3	\$305,929	
May-05	3	\$290,346	
Jul-05	3	\$306,945	
Oct-05	3	\$300,495	
		8 Sales	
		Average 2005	\$293,477
2006			
Mar-06	3	\$329,310	
May-06	3	\$351,491	
May-06	3	\$443,236	
Jun-06	3	\$338,676	
Jul-06	3	\$445,000	
Jul-06	3	\$421,000	
Aug-06	3	\$349,147	
Sep-06	3	\$335,000	
Sep-06	3	\$320,000	
Oct-06	3	\$355,000	
Oct-06	3	\$330,000	
Oct-06	3	\$316,000	
Oct-06	3	\$314,000	
Oct-06	3	\$343,000	
		14 Sales	
		Average 2006	\$356,490
2007			
Feb-07	3	\$343,264	
Feb-07	3	\$390,000	
Feb-07	3	\$339,000	
Mar-07	3	\$345,000	
Mar-07	3	\$347,000	
Mar-07	3	\$370,000	
Mar-07	3	\$275,899	
Apr-07	3	\$365,000	
Jun-07	3	\$349,999	
Jun-07	3	\$244,509	
Mar-07	3	\$358,000	
Sep-07	3	\$350,000	
Sep-07	3	\$395,000	
Sep-07	3	\$281,953	
Sep-07	3	\$365,000	
Sep-07	3	\$277,135	
Sep-07	3	\$227,900	
Oct-07	3	\$385,000	
Oct-07	3	\$229,523	
Oct-07	3	\$384,000	
Dec-07	3	\$385,000	
		21 Sales	
		Average 2007	\$333,723
		Average 2005-2007	\$333,648

A Banff-Whistler comparison is used because Whistler is considered a leader in non-market housing. The Whistler Housing Authority is perhaps Canada's best known developer and administrator of resale-restricted housing. It administers projects dating back to 1980. Its current portfolio includes 1,956 rental beds and 2,443 ownership beds in a vast array of projects. It is developer funded, with developers of commercial space in Whistler having the option of building their own employee housing, or paying a levy to the WHA to build units on their behalf.

In 2007, the WHA adopted CORE CPI as the measure that would govern the allowable range of annual price growth in resale restricted housing.

If the cash-outlay cost to a BHC buyer is 80 per cent of the selling price of the home, the buyer of an average-priced \$438,516 Banff home (sold from 2005 to 2007) would have had to pay \$350,813. That's \$17,165 (\$350,813-\$333,648) more than the average Whistler buyer paid during this same window of time. Without an annual percentage price growth cap on resale BHC homes (as already exists for some WHA properties), its likely Banff will become even more expensive for resident homebuyers than Whistler now is for resident homebuyers. Table 6, page 20, demonstrates the prices of BHC homes had they been price restricted from inception.

Table 6

Price Restriction/annum Year	2.00% 1996	2.00% 1997	2.00% 1998	2.00% 1999	2.00% 2000	2.00% 2001	2.00% 2002	2.00% 2003	2.00% 2004	2.00% 2005	2.00% 2006	2.00% 2007	Last resale Amount	Yr
Bold values = The average Fair Market Value price for that type of dwelling in the development (100%) at time of construction														
Riverview Court														
Single Family	310,714	316,928	323,267	329,732	336,327	343,053	349,914	356,913	364,051	371,332	378,759	386,334	585,000	2005
Duplex	270,000	275,400	280,908	286,526	292,257	298,102	304,064	310,145	316,348	322,675	329,128	335,711	355,000	2004
Townhouse	244,286	249,171	254,155	259,238	264,423	269,711	275,105	280,607	286,220	291,944	297,783	303,739	N/A	
Jasper Way														
Duplex	276,786	282,321	287,968	293,727	299,602	305,594	311,706	317,940	324,299	330,785	337,400	344,148	432,000	2006
Sulphur Court														
Duplex		283,857	289,534	295,325	301,231	307,256	313,401	319,669	326,063	332,584	339,236	346,020	476,330	2006
Townhouse		262,000	267,240	272,585	278,036	283,597	289,269	295,055	300,956	306,975	313,114	319,377	417,000	2006
Middle Springs 2C														
Townhouse/Suite			302,833	308,890	315,068	321,369	327,797	334,352	341,040	347,860	354,818	361,914	345,000	2004
Townhouse			279,300	284,886	290,584	296,395	302,323	308,370	314,537	320,828	327,244	333,789	449,000	2007
Fairholme Place														
Single Family/Suite				385,500	393,210	401,074	409,096	417,278	425,623	434,136	442,818	451,675	N/A	
Single Family				356,250	363,375	370,643	378,055	385,616	393,329	401,195	409,219	417,404	513,500	2007
Duplex/Suite				324,625	331,118	337,740	344,495	351,385	358,412	365,580	372,892	380,350	453,000	2005
Duplex				298,250	304,215	310,299	316,505	322,835	329,292	335,878	342,596	349,447	449,000	2007
Townhouse				259,188	264,371	269,659	275,052	280,553	286,164	291,887	297,725	303,679	355,000	2005
Sundance Court														
Townhouse						265,964	271,284	276,709	282,243	287,888	293,646	299,519	403,000	2006
Middle Springs 2E														
Single Family/Suite							352,667	359,720	366,915	374,253	381,738	389,373	470,000	2005
Single Family							338,000	344,760	351,655	358,689	365,862	373,180	454,000	2006
Duplex/Suite							296,000	301,920	307,958	314,118	320,400	326,808	437,500	2005
Duplex							312,933	319,192	325,576	332,087	338,729	345,504	462,500	2007

NOTE: Interest is compounded Annually

If we assume annual price growth of the Banff residential market at five percent, which would be compounded annually under these circumstances (but still lower than it was for 2005 to 2007), this would mean the average BHC property price from 2005 to 2007 of \$438,516 will double between 14 and 15 years from now to \$877,032.

Continued annual price growth in the range of 10 per cent for BHC resale homes will also move Banff away from a key BHC purpose as laid out in its bylaw, that being: “developing and maintaining quality, **value priced** housing on corporation sponsored housing projects.”

With the rate of increase in the price of non-market Whistler homes governed by the core Consumer Price Index, it’s more likely they’ll increase by a lower percentage each year than BHC properties unless the BHC model changes significantly.

Assuming the average price for a non-market three-bedroom home in Whistler increased annually by the latest CPI reported by Stats Canada (2.2 per cent for the 12-month period ending January 2008) for 15 years from 2007 to 2022, it would increase from \$333,648 in 2007 to \$462,436 in 2022, or 38.6 per cent in total.

Capping the future annual rate of price growth of BHC homes was widely opposed by BHC homeowners during the public consultation process that took place in 2005. Homeowners felt it would lower the market values of their homes. Third-party reviewers had the same general concerns, for both BHC properties and market housing.

Acknowledging the sentiments expressed in 2005 by both BHC homeowners and third-party reviewers consulted by the BHC, the current board believes Recommendation 6 best addresses the community’s ongoing need for value-priced housing for families that are an essential component of the community structure in Banff.

The BHC’s purposes, as laid out in its bylaw, do not include ensuring the maximization of equity growth for BHC homebuyers after years of saving those same homebuyers cash outlay on everything from mortgage payments to mortgage insurance.

When the BHC was set up, equity growth for homeowners was something the BHC wanted to see in an untried housing model. Reasonable equity growth (both from market appreciation and the pay down of mortgages by homeowners) was achieved until 2004 without sacrificing the BHC’s goal of developing and maintaining quality, value priced housing. Since 2004, the BHC’s ability to develop and maintain quality, value priced housing has withered as Bow Valley home prices have rocketed skyward.

The board feels strongly that the BHC must act in good faith to serve the community as a whole, and it can best serve the community by ensuring value-priced housing options and using price controls similar to those employed by the Whistler Housing Authority and Canmore Community Housing Corporation.

The CCHC, which is still in its infancy compared to the BHC or WHA, has developed 12 housing units (it uses the term “perpetually affordable housing”) in the Three Sisters area

that are resale restricted, with allowable annual price growth based on 110 per cent of CPI. (That is, if the Consumer Price Index jumps by three per cent in a given year, the PAH properties can increase in price by 3.3 per cent.) Private developers have also developed resale-restricted housing units in Canmore, with the CCHC holding the right-of-first-refusal to purchase the units, giving it power over them in the future. As well, the CCHC and Town of Canmore are pursuing future projects for both renters and homeowners.

By utilizing revenue from the sale of its equity share on properties where it owns more than 20 per cent equity, the BHC will be able to kick-start additional BHC units for purchase or rent by other long-term community members.

It should be noted the BHC board, in response to rapid price growth in BHC properties, has already exercised on more than one occasion its right-of-first-refusal option to buy properties for which a seller has received a qualified offer. In those instances, the BHC has resold the properties, hanging on to a 20 per cent equity share in each property. The new purchasers have agreed to a sublease limiting the annual percentage price growth of their properties to a maximum of two per cent on resale.

In theory, the BHC might consider selling off its entire equity share in all Middle Springs Properties as sales proceed, and use the cash raised to fund other projects with defined price increase formulas. Two problems arise with that strategy.

The first is that it would result in a shortage of non-market housing in the class now offered in Middle Springs. The second is that BHC properties are subleased to homeowners by the BHC, which in turn holds a headlease with Parks Canada for each development. Parks Canada has said it is not willing to transfer the headlease directly to any sublessee, even those who are willing to pay fair market value to buy out the BHC's equity share in a home. As a result, it's not considered practical for the BHC to sell off its entire equity share in most homes, because most homeowners, if they had the funds, wouldn't want 100 per cent ownership of a property that was still restricted by a BHC sublease.

BHC Financial Position

Recommendation 7: In order to improve the BHC's long-term cash flow position, the BHC will need to find a minimum of \$30,000 annually to replace its second mortgage revenue by:

- 1. Increasing the annual administration fee from \$80 plus GST per unit to \$250 plus GST per unit by 2011 (sublease allows BHC to charge \$0.25 per square foot per year in administration fees.) The fee would increase as follows: \$125 in 2008, \$170 in 2009, \$215 in 2010 and \$250 in 2011.*
- 2. Creating a small rental portfolio that will enable the BHC to cover 50 per cent of its annual operating costs.*

It's anticipated that as of Jan. 1, 2008 (after 2007 4th quarter operating expenses), the BHC will have a positive operating cash flow of about \$302,000 and that in addition to this, the BHC will be receiving both \$85,000 and \$64,126 from MS2G sales at the end of the first quarter of 2008, which will be assigned to operating cash flow. This would provide the BHC with about \$451,000 in operating cash for 2008.

For 2008, the BHC has operating expenses of about \$157,000 and anticipates generating revenues of \$96,000 annually, leaving an operating deficit of about \$61,000 (if complete budget expended).

Table 7

Projected Financial position	2008	2009	2010	2011
Anticipated Revenue				
Administration fees	\$21,625	\$29,410	\$37,195	\$43,250
Consent fees	\$8,500	\$9,000	\$9,500	\$10,000
RRL application fees	\$1,200	\$1,200	\$1,200	\$1,200
RRL sales fees	\$10,000	\$10,000	\$10,000	\$10,000
Net rental income	\$9,800	\$14,000	\$14,000	\$14,000
Interest Income	<u>\$15,763</u>	<u>\$8,000</u>	<u>\$6,000</u>	<u>\$4,000</u>
SubTotal	\$66,888	\$71,610	\$77,895	\$82,450
Anticipated Expenses				
Salaries & benefits	(\$132,250)	(\$132,250)	(\$132,250)	(\$132,250)
Operating expenses	<u>(\$25,000)</u>	<u>(\$30,000)</u>	<u>(\$30,000)</u>	<u>(\$30,000)</u>
Operating surplus/(loss)	(\$90,362)	(\$90,640)	(\$84,355)	(\$79,800)
2nd mortgage Revenue	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>	<u>\$30,000</u>
Annual surplus/(loss)	<u>(\$60,362)</u>	<u>(\$60,640)</u>	<u>(\$54,355)</u>	<u>(\$49,800)</u>

Although there are no immediate challenges specific to funding the operations of the BHC, the current model has not enabled the BHC to operate at a break-even level unless a development is occurring.

In addition to this, the BHC will have the following restricted funds available in 2008 for housing initiatives:

31 Fairholme Place	\$125,386 (to be verified by auditor)
24 Fairholme Place	\$76,671 (to be verified by auditor)
22 Fairholme Place	\$45,337 (to be verified by auditor)
Cash in lieu of housing	\$42,721
MS2G sales	\$200,000
Total	\$490,115