Verdant: An affordable housing model
UniverCity: the community at SFU

This project was essentially a partnership between a community developer, Vancity Enterprises and a public enterprise land owner, SFU Community Trust. The third partner, reSource Rethinking Building, brought development management and green building expertise.

1. SFU wrote down the land value an estimated 25%, compared to a then market value of $50 a foot with a similar density of 1.7 FSR.

2. SFU agreed to defer the land payment until the end of construction. This was done to reduce interest payments on the land, and decrease the potential 'equity' requirement for the developer. While this may not have been necessary for Vancity, it is an arrangement which would benefit other smaller, private and 'third sector' developers, trying to build affordable housing.

3. Vancity agreed to develop the project on a fee basis, rather than on a typical profit margin.

4. Because all parties were confident that there was a good, captive market from either SFU faculty and staff, or non university families with children, a very modest marketing program was followed and no show suite was built. Vancity did hire a marketing firm, but kept the program simple, and total marketing costs were in the order of 2% of revenues, rather than the 10-15% seen in other projects at the time.

5. The project does not include more expensive cost features such as fireplaces, stainless steel appliances, or granite countertops (except as an option). This reduced the end price.

6. However, the units do include some ‘livability’ features not always provided. For example, the kitchens, while small, have drawers and corner lazy susans wherever possible, in lieu of more conventional cupboards. There are drawers in every bathroom vanity, and durable flooring, rather than carpeting, in living areas to suit families with children.

7. There is a much better, and more efficient heating system, using geoexchange energy source and in-floor radiant piping. There is also solar hot water as a supplement. This cost approximately $500,000 more than the cost of electric heating. However, there was no increase in the sales price of the units. Instead, the project took advantage of some grants to offset the additional cost, and the balance was financed as a 'green loan', to the Strata Corporation, to be paid off over time as part of the strata fees. The loan payment is equivalent to the energy savings so there is no increase in strata fees,

8. The final sales prices were calculated based on cost once most of the development costs were known, resulting in prices 20% below market, based on what other projects were selling for on adjacent sites. This 'spread' is the basis for future re-sales. In other words, the owners must sell for 20% below the future market value, based on appraisals. This approach does three things: 1) It prevents someone from reaping a 'windfall, at public expense 2) it allows a market return on equity, rather than one simply tied to the cost of living, since experience has shown that when the increase is tied to the CPI, residents cannot afford to sell, and cannot build up much equity, and 3) it is a means of still creating a stock of affordable housing over time.

9. Efficiency of design. The building was designed as a stacked townhouse project which meant that 95%+ of the building was saleable (this compares to a more conventional double loaded corridor apartment building which would typically be 85%. This significantly lowers the price per square foot for the owners.

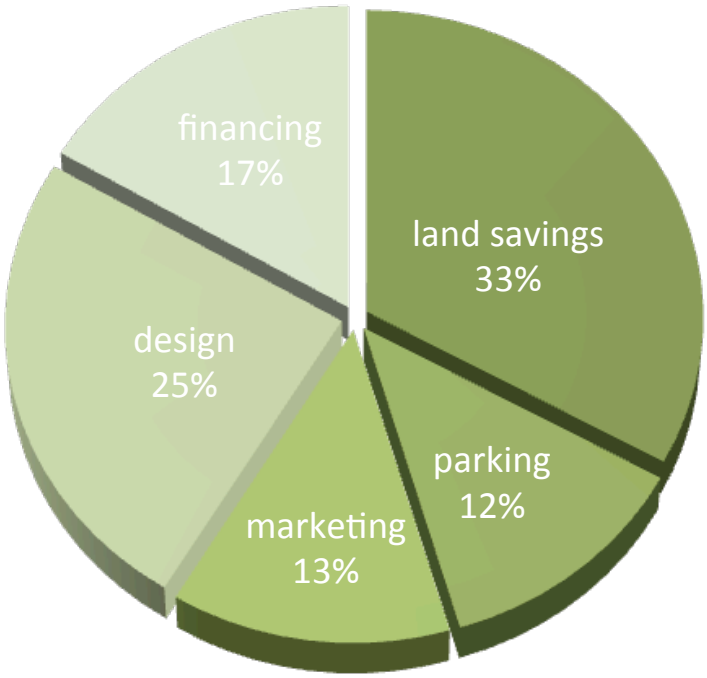
10. Parking reduction. The City of Burnaby agreed to a parking reduction which resulted in 12 fewer parking stalls. This translated into significantly less excavation and an estimated $500,000 savings to the project.

11. The land is leased for 99 years. A condition of the lease is that units must be resold to other faculty and staff. If there are no such buyers, with the SFU Community Trust's approval, they can be sold to others in the community. Alternatively, SFU Community Trust may buy back the unit on the same terms, namely at the appraised value, less 20%.

The project had 60 units. 40 were sold on this basis. However, the university saw a need for rental housing, so 20 units were purchased by the university to be rented out to faculty and staff who cannot afford to buy.

The development also included many other environmental features that reduce resource consumption. To add to the complexity, it also includes a small childcare facility.

The breakdown of project cost savings are as follows -



In summary, this is an innovative approach to creating more affordable housing that could work elsewhere, especially in municipalities which own land, or in resource communities where a company wants to create employee housing. The essential ingredients are a willingness to sell or lease land at slightly below market, a more cost effective design and marketing approach, and a developer willing to accept a fee, rather than a profit.