



## **Committee of the Whole Report**

### **For the Meeting of September 27, 2018**

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**To:** Committee of the Whole **Date:** September 14, 2018

**From:** Jonathan Tinney, Director, Sustainable Planning and Community Development

**Subject:** **Victoria Housing Reserve Fund Program Update**

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### **RECOMMENDATION**

1. That Council direct staff to update the Victoria Housing Reserve Fund Guidelines appended to this report, based on the following changes:
  - a. An update to the tiered grant structure by changing funding allocation for different levels of affordability for projects in the City of Victoria and lowering the allocation for projects outside of the City of Victoria but within the CRD;
  - b. An update to the eligibility criteria to ensure that applicants adhere to the Tenant Assistance Policy and submit a Tenant Assistance Plan for staff approval;
  - c. An update to the project priority section to prioritize projects that receive no other supports from the City of Victoria; and
  - d. An update to the important notes section that advises applicants that the City will publish project eligibility information from applications to demonstrate that the projects have met all the eligibility requirements.
2. That Council direct staff to create a deadline for submissions to the Victoria Housing Reserve Fund for 2018, and assess the applications concurrently;
3. That Council direct staff, from 2019 forward, to set annual deadlines of March 31 and September 30 for submissions to the Victoria Housing Reserve Fund and assess applications received by these dates concurrently; and
4. That Council refer consideration of potentially increasing the funding allocation to the Housing Reserve Fund to the 2019 financial planning process.

### **EXECUTIVE SUMMARY**

The purpose of this report is to provide information, analysis, and recommendations on an update to strengthen and enhance the long term sustainability of the Victoria Housing Reserve Fund. In light of an anticipated increase in VHRF requests, staff have brought this report to enhance the funding outcomes and more effectively achieve the Victoria Housing Strategy objectives.

The Victoria Housing Reserve Fund (VHRF) was established for the purpose of providing grants to assist in the development and retention of affordable housing for households with no, low or moderate incomes to support community diversity and infrastructure; and to facilitate the development of affordable rental housing and affordable home ownership projects.

Renewed commitments by senior levels of government to support the construction of low and moderate income housing in recent years has led to an influx of partnership requests to the City of Victoria. Staff recommend the following amendments to the Victoria Housing Reserve Fund guidelines in order to triage the received and anticipated influx of applications, promote ongoing sustainability of the VHRF, support deeper levels of affordability and to mitigate the impact of tenant displacement:

1. Include a tiered grant structure to prioritize deeper levels of affordability.
2. Prioritize projects that are not supported by the City of Victoria through other means.
3. Require that applicants adhere to the Tenant Assistance Policy.

While the proposed revisions to the grant structure will allow for more precise targeting of the City of Victoria's support to deeper levels of affordability, the balance of the fund with its current annual allocation amount will not sustain anticipated requests. Therefore, this report recommends that the as part of the 2019 financial planning process, consideration be given to increasing the allocation to the Housing Fund to ensure that affordable housing projects that help the City reach its affordable housing targets may be supported going forward.

## **PURPOSE**

The purpose of this report is to provide information, analysis and recommendations on an update to strengthen and enhance the long term sustainability of the Victoria Housing Reserve Fund. In light of an anticipated increase in VHRF requests, staff have brought this report to enhance the funding outcomes and more effectively achieve the Victoria Housing Strategy objectives.

## **BACKGROUND**

The Victoria Housing Reserve Fund was created to provide capital funding to assist in the development of affordable housing for households with no, low, or moderate incomes to support community diversity and infrastructure.

The *Victoria Housing Strategy 2016-2025* identified a review and update to the fund guidelines while considering fund allocations and limits, criteria to encourage family-oriented units, and an evaluation of the fund for affordable housing projects outside of Victoria as a priority action for year 1. After a staff report received at Committee of the Whole on November 24, 2016, Council made the following motions to update the Victoria Housing Reserve Fund Guidelines and engage in focused consultation with affordable housing providers and the development community on these changes.

On June 15, 2017, Council made a motion to implement all changes to the Victoria Housing Reserve Fund approved at the November 24, 2016 Committee of the Whole Meeting, and to further update the Fund Guidelines to incorporate the changes developed during the consultation period.

On May 24, 2018, Council directed staff to explore the potential of utilizing the City's Housing Reserve Fund to provide "rental supports" to tenants displaced through rezoning applications to redevelop or demolish residential rental buildings. The motion focuses on displaced tenants wishing to return to the redeveloped property whose current rent is substantially lower than it would be in the new building (even with the 10% discount provided by the Tenant Assistance Policy).

The alignment of the VHRF contributions with the housing targets was identified as a priority action in the Victoria Housing Strategy 2015-2025. On September 6, 2018, Council adopted updated affordable housing targets and levels of affordability to guide community amenity contribution negotiations. When the Victoria Housing Strategy is updated in Quarter Four of 2018, these targets will be incorporated. As of September 1, 2018, after funding commitments, the balance of the VHRF was \$1,195,617. There are currently two VHRF grant requests being evaluated by staff totaling \$590,000, and two letters of intent to submit applications with requests of \$2.39 million. Staff anticipate receiving additional applications totaling approximately \$5 million before the end of 2018. The balance of the fund will not be sufficient to provide for the approximately \$8.0 million in funding requests that may be received before the end of 2018.

## ISSUES & ANALYSIS

### Fund Capacity & Selection

The renewed funding commitments by senior levels of government to support the construction of low and moderate income housing in recent years has led to an influx of requests to the Victoria Housing Reserve Fund (VHRF). The capacity of the VHRF is inadequate to support all of the current and anticipated funding requests for 2018. There is a significant increase in the numbers of applications being made to the VHRF as well as the level of funding being requested as evidenced by the table below. Staff recommend revisions to the VHRF guidelines in order to refine the evaluation and selection process, to enhance the outcomes of the fund and achieve the Housing Strategy objectives.

Victoria Housing Reserve Fund Applications 2016-2018			
	2016	2017	2018
<b>Number of applications received</b>	3	1	4 (4 anticipated applications)
<b>Total amount of funds requested</b>	\$240,000*	\$500,000**	Anticipated: \$8 million Approved: \$630,000

\*Including \$110,000 in cancelled applications

\*\*Including 250,000 to be released in 5 years

### Proposed Additions

1. An update to the tiered grant structure by changing funding allocation for different levels of affordability for projects in the City of Victoria and lowering the allocation for projects outside of the City of Victoria but within the CRD

#### *Rationale:*

Current Victoria Housing Fund guidelines base maximum funding allocations on the number of rooms in a given project but does not differentiate between rooms delivered at low income levels and moderate income levels. In light of anticipated demands on the VHRF, staff recommend introducing maximum levels of support for moderate income rooms to be \$5,000 per room if delivered in the City of Victoria. Staff anticipate that this reduction in maximum funding allocation for units that target moderate income households may reduce the total funding requests for 2018 by 5%. Moderate income units, affordable to those earning up to the median income for families in

Victoria CMA (\$70,283 in 2015), are not significantly different from the rates commanded by new market rate rental units and should therefore require less subsidization. A tiered grant structure will allow the VHRF grants to be more precisely targeted at supporting deeper levels of affordability, specifically those units with rent levels at or below Housing Income Limits.

Staff recommend reducing the current VHRF guidelines funding allocation from \$5,000 to \$2,500 for units delivered outside of the City of Victoria but within the CRD. With limited VHRF dollars available, reducing funding commitments to projects in other municipalities, which should have the support of the local government where they are sited, will help maximize and better target the impact of City contributions.

2. An update to the eligibility criteria to ensure that applicants adhere to the Tenant Assistance Policy and submit a Tenant Assistance Plan for staff approval

*Rationale:*

The Tenant Assistance Policy that has been in effect since September 1, 2018, was developed to help mitigate the impact of tenant displacement, resulting from renovations or development on tenants, by providing guidelines for developers to provide additional supports. Affordable Housing projects supported with VHRF grants often require that existing tenants be relocated during redevelopment and it is vital that these tenants, especially those most vulnerable, are well supported.

Staff recommend that VHRF guidelines be updated to formalize the expectation that applicants will meet the Tenant Assistance Policy guidelines whether the proposed housing redevelopment involves a rezoning or otherwise. The Tenant Assistance Plan guidelines provide flexibility for non-market and social housing developments, where displaced tenants are relocated to alternative buildings within the developer's property portfolio.

3. An update to the project priority section to prioritize projects that receive no other supports from the City of Victoria

*Rationale:*

Current Victoria Housing Fund guidelines do not take into consideration the multiple means of support offered to affordable housing projects by the City of Victoria. Staff recommend expanding the prioritization section of the VHRF guidelines in order to acknowledge multiple contributions made by the City of Victoria including, but not limited to, contributions of City-owned land through sale or lease.

4. An update to the important notes section in the guidelines that advises applicants that the City will publish project eligibility information from applications to demonstrate that the projects have met all the eligibility requirements

*Rationale:*

In order to provide clarity to VHRF applicants and to the public, staff recommend updating the important notes sections of the VHRF to include a list of what project application and evaluation information will be made public for openness and eligibility purposes.

## **Provision of Rental Supplements for Displaced Tenants**

At Council's direction, staff have explored the concept of extending monetary support to tenants displaced due to property redevelopment. Staff have indicated that providing support to individuals in the form of grants would be feasible within the established parameters of the Housing Fund.

The benefits of providing rental supplements to individuals may include:

- exercising the right of first refusal could be made more feasible for tenants paying low rents
- tenants could be supported in remaining within their communities
- the impact of tenant displacement would be mitigated.

The potential drawbacks of providing rental supplements to individuals may include:

- the anticipated administrative complexity of offering rent supplements to individuals and the resultant cost of hiring the necessary additional staff would likely be substantial
- need would be complicated to determine; while a tenant's rent may be low, this may not be indicative of need or low income
- would only provide a short term benefit to renters whose subsidy would be extinguished after a defined period
- existing provincial rent supplement programs, such as SAFER, may already provide similar support for low income renters
- the Housing Reserve Fund may be depleted at a time when there is significant demand for funds from non-market housing providers providing long-term affordability for low and moderate income renters in new Rental Housing projects.

After weighing the potential benefits against the drawbacks of developing a rental supplement program for displaced tenants, staff do not recommend pursuing this concept further.

## **Concurrent Consideration of Housing Reserve Fund Applications**

The remaining capital in the VHRF will be insufficient to fund all received and anticipated funding requests in 2018. Staff recommend creating a deadline for submissions to the fund for this calendar year, so that all applications may be prioritized and evaluated concurrently. From 2019 forward, staff recommend setting annual deadlines of March 31 and September 30 for submissions to the fund so that applications received by these dates may be prioritized and evaluated concurrently.

## **Funding Allocation to the Victoria Housing Reserve Fund**

In a June 2017 Committee of the Whole report, staff estimated that an increase of \$714,000 to the annual contribution rate of \$250,000 would be necessary from 2019 going forward if the City is to meet the affordable housing targets in Victoria's Housing Strategy. While the amendments to Victoria Housing Reserve Fund guidelines recommended by staff in the report should result in a reduction in demand, a substantial shortfall is anticipated. Staff estimate that in order to meet the newly-updated City of Victoria Housing targets, by contributing to the construction of new rental housing affordable to the low-moderate and moderate incomes, the annual contributions to the fund would require an increase by \$750,000. This increase, to a total \$1,000,000 per annum, would allow the City to support the construction of approximately 80% of the 120 rooms of Moderate Income Housing and 54 Units of Low Income Housing required per annum. The remaining 20 per cent of the affordable housing target is anticipated to be fulfilled through the City's newly-approved Inclusive Housing and Density Bonus Policy.



## OPTIONS & IMPACTS

**Option 1 – Approve the recommended changes to the Victoria Housing Reserve Fund Guidelines and direct staff to set a deadline for 2018 applications so that funding requests may be prioritized and considered concurrently (Recommended)**

Staff recommend that Council approve the proposed amendments to the Victoria Housing Reserve Fund guidelines in support of the funds long term sustainability, the enhanced fulfilment of Victoria's housing targets and to ensure that displaced tenants are supported through the Tenant Assistance Policy. Considering all remaining 2018 applications concurrently will allow staff to prioritize funding requests and target deeper levels of affordability.

**Option 2 – Decline the changes to the Victoria Housing Reserve Fund Guidelines**

### *Accessibility Impact Statement*

The recommendations contained in the report have no accessibility impacts.

### *2015 – 2018 Strategic Plan*

The further revision of the Victoria Housing Reserve Fund aligns with the *2015 – 2018 Strategic Plan* Strategic Objectives 1: Innovate and Lead; 3: Strive for Excellence in Planning and Land Use; 6: Make Victoria More Affordable; and 13: Demonstrate Regional Leadership.

### *Impacts to Financial Plan*

The proposed changes to the VHRF guidelines will not have an impact on the financial plan. However, existing reserves are insufficient to support the anticipated fund requests. Staff recommend that as part of the 2019 budgeting process, Council consider raising the annual contribution amount to the fund so the City can support the affordable units targeted in the Housing Strategy.

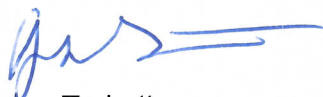
### *Official Community Plan Consistency Statement*

This action is consistent with the OCP policy directions of "Land Management and Development" and "Housing and Homelessness".

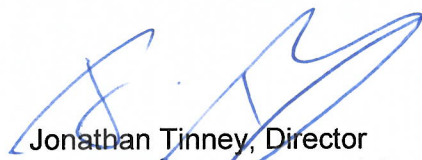
## CONCLUSIONS

The amendments to the Victoria Housing Fund Guidelines outlined in this report will promote its long-term sustainability, allow for the effective triaging of funding requests to help achieve Victoria's affordable housing targets and ensure that displaced tenants are provided supports outlined in the Tenant Assistance Policy.

Respectfully submitted,



Jesse Tarbotton  
Senior Planner – Housing Policy  
Community Planning



Jonathan Tinney, Director  
Sustainable Planning and Community  
Development Department

Report accepted and recommended by the City Manager:

*Jocelyn Jenkins*  
Date: Sept. 20, 2018

**List of Attachments:**

- Attachment A: Revised Victoria Housing Reserve Fund Program Guidelines.