

## **Victoria Housing Reserve Fund Applications – Additional Information – March 20, 2019**

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On March 13, 2019, Council considered two applications to the Victoria Housing Reserve Fund: 2558 Quadra Street (Forest Heights) and 330-336 Michigan Street (Michigan Square). Both projects are eligible for funding per the terms of the [Victoria Housing Reserve Fund Guidelines](#). Both also require the relocation of existing tenants, but have committed to adhering to the City's Tenant Assistance Policy, which outlines financial compensation to tenants to offset the impacts of relocation.

At that meeting, Council made the following motions outlining additional requirements for the applicants:

1. All existing tenants are offered alternate rental housing at existing rent levels
2. No net loss of units at existing rent levels in the new building, subject to annual increases as permitted under the *Residential Tenancy Act*.

The implications to making these changes are outlined below.

### **PROJECT 1: 2558 Quadra St (Forest Heights) – Greater Victoria Housing Society (GVHS)**

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**Context:** Forest Heights is a 19-unit building built in 1965, purchased from the private market with a long-term goal of redeveloping the site and increasing the number of permanently affordable units. GVHS has reduced the market rents over the course of ownership by up to 25%. The building requires significant capital upgrades for safety and sustainability. The society was not successful in securing funding from the province (BC Housing), but has grant commitment from the federal government (Canada Mortgage and Housing Corporation) provided the society is successful in its application for funding with the City of Victoria.

**Impact of relocating tenants at existing rent levels:** To relocate tenants at existing rent levels, the society would have to subsidize tenant rents to meet operational costs. The society has advised this could have a financial cost of up to \$300,000 over the course of redevelopment.

#### *Considerations:*

- The society has a mandate to provide safe and affordable housing to residents of Victoria
- The society is already providing financial compensation to tenants to offset the impacts of relocation through the Tenant Assistance Policy (TAP) including moving expenses (\$500-\$750 per unit) and rental compensation (an average of \$3000/unit).
- Several existing tenants are paying less than 30% of their incomes on rent. Offering to relocate tenants based on existing rents rather than what tenants can afford (30% of income) may not be perceived as equitable to tenants in existing buildings, and may result in the displacement or reduction of support to other tenants or prospective tenants in need of affordable housing.
- The society will work to find alternative housing that is affordable to existing tenants (30% of income).

<p><b>RESULT:</b> The society has advised that it is not financially feasible to meet the terms of Council's motion, but can commit to relocating tenants wherever possible to housing that is affordable to them during the redevelopment, and will pay compensation to tenants for moving and relocation.</p>
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**Impact of reducing rents in the new building:** In the initial proposal, 100% of the units were proposed to be targeted to low income households (at or below Housing Income Limits). Because

this project is internally subsidized (no external government operating subsidy; the higher rent units subsidize the lower rent units), reducing the rents in 19 of the units to match existing rent levels will result in an increase in rents in the balance of the units, moving them out of the low income range and into the moderate income range. For example, studio units originally proposed to be rented at \$863 will now need to be rented at \$1200 to subsidize the lower rent units. Moderate-income units are eligible for only 50% of maximum funding amounts per the VHRF guidelines, so reducing the number of low income units also results in the society qualifying for lower funding overall.

**RESULT:** The society can meet the terms of Council's motion, but doing so will result in the project having less affordability overall.

**Total funding requested under original proposal: \$440,000**

**Total funding requested under revised proposal: \$330,000**

## **PROJECT 2: 330-336 Michigan Street (Michigan Square) – Capital Region Housing Corporation (CRHC)**

**Context:** Michigan Square is an existing 62-unit CRHC-owned housing development requiring significant capital improvements to ensure the safe and habitable accommodation of its low-income residents. Redevelopment is required to prevent the loss of the existing units. The society is proposing the redevelopment include an additional 36 housing units, and all but three 3-bedroom units in the new development will qualify for funding under the VHRF. The project has received conditional approval from BC Housing for \$9.8M from BC Housing and \$750,000 from the Regional Housing Trust Fund.

**Impact of relocating tenants at existing rent levels:** The society has confirmed that three alternative housing options will be presented to tenants with at least one option being at or below existing rent levels.

**RESULT:** The original proposal meets the terms of Council's new motion.

**Impact of reducing rents in the new building:** Because the society has qualified for operational funding through the province, the original proposal did not propose higher rents than the existing building, and the project already meets the terms of Council's new motion. *Note:* a review of rents revealed the moderate income three-bedroom units were not eligible for funding under the terms of the VHRF guidelines, resulting in a revised (lowered) funding request.

**RESULT:** The original proposal meets the terms of Council's new motion.

**Total funding requested under original proposal: \$1,485,000**

**Total funding requested under revised proposal: \$1,395,000**