

March 6, 2019

Mayor and Council  
City of Victoria  
1 Centennial Square  
Victoria BC, V8W 1P6

Dear Mayor Helps and Council:

**Re: Housing Reserve Fund Request for Funding – Michigan Square Redevelopment, James Bay**

We are pleased to submit an application for funding for a proposed redevelopment at 330 – 336 Michigan Street. The Capital Region Housing Corporation is seeking a \$1,485,000 capital contribution from the Housing Reserve Fund. This contribution support the feasibility and affordability of this 107-unit project affordable housing project. There will be 98 new units and 9 units will be retained, including the heritage house.

Organization Information

The Capital Region Housing Corporation (CRHC) is a wholly-owned subsidiary of the Capital Regional District (CRD). The CRHC owns and/or manages 1,450 rental units in 50 different properties across 7 Greater Victoria municipalities. The CRHC Board is committed to improving and expanding housing opportunities in the region for households in core housing need. The Board's 2016/19 Strategic Plan focuses on increasing its rental units for households in core housing need by adding to the number of rent-geared-to-income units.

Existing Building Conditions

The building was built in 1985. Over the years, the building has experienced significant water penetration issues, especially on the ground level units. This has resulted in the loss of three units and there has been continued rotting of the floor joists supporting the buildings, atop the parkade. In 2009, the CRHC engaged structural engineering firm Read Jones Christoffersen to undertake a Building Envelope Condition Assessment. A number of building envelope issues were identified and the estimated cost of renovations is between \$8million and \$12million. The CRHC Board has approved proceeding with redevelopment of the property rather than renovation.

Project Description

The property has 62 rental units in four blocks, including an original heritage-listed house. CRHC proposes to demolish three of the buildings on site (53 units), while keeping the nine units in the original heritage house and attached townhouse intact. New construction would be done on the site of the demolished buildings. The completed project will be a 98-unit, 4-storey wood-framed building with a single level concrete underground parkade. The buildings will have 10 accessible units as defined by BC Housing.

The layout will comprise of two buildings connected by an elevated pedestrian walkway that overlooks Michigan Street. The westerly building will overlook a shared community garden space to the south of the property fronting Michigan Street. The easterly building will also overlook Michigan Street to the south and will overlook a courtyard and the heritage building to the north.

The property is already zoned for the proposed development and is ready for redevelopment. This project will therefore address the current deteriorating buildings while increasing the number of units on the site from 62 to 107. The Project will further invigorate the James Bay neighborhood, provide additional housing diversity that complements the eclectic make-up of the neighborhood, encourage the use of multi-modal transportation options, and activate the streetscape.

The site is underutilized within the current zoning. This redevelopment will add 45 additional affordable rental housing units in the City of Victoria.

#### Tenant Considerations

The CRHC has developed a tenant relocation policy which has been approved by the CRHC Board. CRHC staff have provided current tenants with information sessions about the proposed redevelopment, and have gone door-to-door to gather tenant feedback toward creating the relocation policy. See Appendix A: Tenant Relocation Policy September 2018.

CRHC has committed to:

- Supporting tenants in finding alternate housing;
- Offering tenants choice;
- Offering frequent, accurate and timely information as the redevelopment process progresses.

Table 1: Project Specifics

Total site size (ha) and (sq.ft.)	54,618
Building size (sq.ft.)	75,607
Building description	4 storey wood framed building atop a concrete u/g parkade
Building amenities	Laundry, common room, bicycle storage, private courtyard with playground, shared community garden space.
Number of units	107 (98 new)
Parking	69
Total site size (ha) and (sq.ft.)	54,618
Site Access	Vehicular access on Superior Street and pedestrian access from both Superior and Michigan Street.
Unit Mix	4 Studio – 4% 32 One-Bedroom – 30% 58 Two-Bedroom – 54% 13 Three-Bedroom - 12%

### Compliance with the City of Victoria Regulations

The site is located in James Bay; however, it is not in a specific development permit area. It is zoned R3-2 Multiple Dwelling District. The Official Community Plan designates this section of James Bay as Urban Residential.

The project complies with the R3-2 zone and the design guidelines for multi-unit residential buildings pertaining to density, building height, location, orientation, massing, articulation, and materials; circulation; and the aesthetics of landscaping, open space, lighting, colors, windows, entrances, and signage. The development proposes a density of 1.54:1 within 4 storeys, while the R3-2 zone allows a density of 2:1 up to 6 storeys.

Mindful of the James Bay Neighbourhood plan, the project is scaled to harmonize with the surrounding neighbourhood through the form and scale between the proposed new buildings and adjacent residential units, while respecting the existing streetscape character.

Relevant excerpts from the City of Victoria *Design Guidelines for: Multi-Unit Residential, Commercial and Industrial*, the City of Victoria *Official Community Plan* and the *James Bay Neighbourhood Plan* are shown in Appendix B.

### Funding/ Affordability Highlights

The CRHC has applied to the Building BC: Community Housing Fund program. The Building BC: Community Fund provides \$100,000 per door and a mortgage subsidy for the shortfall. It also anticipates participation from the housing provider and other sources of equity. See Table 2 for the Project Financial Information including requested sources of funding.

Table 2: Project Financial Information

Item	Baseline
Soft Costs	\$9,923,113
Hard Costs	\$22,735,855
Contingency	\$3,104,661
<b>(A) Total Project Costs</b>	<b>\$35,763,629</b>
Equity Contributions	
CRHC equity	\$1,000,000
CRHC land	\$6,448,000
Victoria Housing Reserve Fund	\$1,485,000*
<b>(B) Total Equity Contributions</b>	<b>\$8,933,000</b>
<b>(C) Mortgage serviced by operations</b>	<b>\$14,615,629</b>
<b>(D) Building BC Contribution (\$100,000 per door)</b>	<b>\$9,800,000</b>
<b>(E) Total costs: (B)+(C)+(D)</b>	<b>\$33,348,629</b>
<b>(F) Shortfall (RHTF and Other)</b>	<b>\$2,415,000*</b>

\*Serviced by mortgage subsidy provided by BC Housing.

The budget and equity requirements are guided by the following unit income mix which is defined by the Building BC: Community Housing Fund program.

The project will target clients with low to moderate income levels. The project offers the following:

- 19 very low-income units
  - 4 studio units, 7 one-bedroom, 7 two-bedroom, 1 three-bedroom
- 49 low-income units:
  - 11 one-bedroom, 33 two-bedroom, 5 three-bedroom
- 30 moderate income level units:
  - 9 one-bedroom, 15 two-bedroom, and 6 three-bedroom units

The equity requested through the City of Victoria is aligned with the program guidelines as outlined in Table 3.

Table 3:

Suite Type	Rent/Month	Total Suites	Income Levels per unit	CoV Funding Request	CoV Affordability Level
Studio Unit (Deep Subsidy)	\$375	4	\$15,000	40,000	Very Low Income
One Bedroom (Deep Subsidy)	\$525	7	\$21,000	70,000	Very Low Income
One Bedroom (RGI)	\$739	11	\$29,560	110,000	Low Income
One Bedroom (Affordable)	\$1,350	9	\$54,000	45,000	Moderate Income
Two Bedroom (Deep Subsidy)	\$600	7	\$24,000	140,000	Very Low Income
Two Bedroom (RGI)	\$960	33	\$38,400	660,000	Low Income
Two Bedroom (Affordable)	\$1,650	15	\$66,000	150,000	Moderate Income
Three Bedroom (Deep Subsidy)	\$600	1	\$24,000	30,000	Very Low Income
Three Bedroom (RGI)	\$1,380	5	\$55,200	150,000	Low Income
Three Bedroom (Affordable)	\$2,000	6	\$80,000	90,000	Moderate Income
		98	\$1,485,000		

Please contact us if you require further information or have any questions or concerns.

Sincerely,



Paul Kitson  
Manager, Capital Projects, CRHC

PK:ce



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# Victoria Housing Reserve Fund Application for Funding

The Victoria Housing Reserve Fund Program Guidelines contain important information on project eligibility and the application process. Please review the guidelines prior to completing an Application for Funding.

The entire Application for Funding must be completed along with all other documents identified on the Application Checklist. Please attach additional pages if more space is needed.

An appointment is strongly encouraged prior to applying for funding to ensure the project meets eligibility criteria. To make an appointment, email communityplanning@victoria.ca.

If you have any questions about the criteria or the process, please contact the Community Planning Division at communityplanning@victoria.ca or 250.361.0382.

## 1. Letter to Mayor and Council

Please include a letter to Mayor and Council highlighting key aspects of the proposed project and how it meets the objectives of the Victoria Housing Reserve Fund Program as outlined in the Program Guidelines.

## 2. Proponent Information

Organization Name Capital Region Housing Corporation Non-profit Society Yes ☒ No ☐

Contact Person/Position Paul Kitson, Manager, Capital Projects

Business Address 631 Fisgard Street

Telephone 2503603364

Fax \_\_\_\_\_

Email pkitson@crd.bc.ca

Date of Incorporation December 10, 1982

Canada Revenue Agency Charity # \_\_\_\_\_

Previous Projects Funded through the Victoria Housing Reserve Fund, if any: \_\_\_\_\_

I have read and understand the Victoria Housing Reserve Fund Program Guidelines ☒

I understand funding is a one-time, non-renewable grant ☒

Application Date mm/dd/yyyy 10/9/2018

Applicant Signature \_\_\_\_\_

## 3. Project Summary

Submission of building and site plans are required as part of the application package.

Address/location of project 330-336 Michigan Street, Victoria BC,

Developer and contact information (if different from the Proponent) \_\_\_\_\_

Project Architect and contact information de Hoog & Kierulf architects

Owner and Operator of Housing Capital Region Housing Corporation (CRHC)

Housing type (strata/apt etc.), number of units and sizes (bedrooms) Apartment building 98 units (107 on site. Unit mix attached)



Target population, incomes (as defined in the Program Guidelines) and target rents or sale price per unit

The targeted residents are seniors, adults with disabilities, working singles and small family units. The target population income levels fall between low-to-moderate income as defined by the program guidelines and BC Housing Income Limits (HILs).

Support services provided (if any)

Additional features

The project aims to provide a vibrant, green, and safe place where people of varying ages and incomes can live comfortably. The project's design will be guided by the energy step code design principles and methods to reduce energy consumption and operational costs while meeting the residents' desire for comfort.

Target Completion Date

The target date to complete construction is May 2022.

How does the project meet the objectives of the Victoria Housing Reserve Fund Program as described in the Program Guidelines?

Michigan Square Redevelopment is a 62-unit affordable housing complex in James Bay, built in 1985. The proposed redevelopment is to demolish 53 units, replace them with 98 units, and retain an existing 9 units for a total of 107 units. All 107 units will be rented to low-to-moderate income households. The proposed development is directly aligned with the City's Housing Reserve Fund (HRF) in that this proposal is for the development and retention of affordable rental housing for low-to-moderate income households. CRHC was established in 1983 as a non-profit provider of affordable units in the capital region, which the fund requires. The project is located in the City of Victoria, proposes to leverage finances from BC Housing (a government funding agency), and will utilize the City of Victoria HRF contribution for construction costs. CRHC is willing to enter into a housing agreement to secure units for affordable housing. The project will have up to 10 accessible units, included in the unit mix of 4 studio, 32 one-bedroom, 58 two-bedroom and 13 three-bedroom units.

Describe how the project is consistent with the City's Official Community Plan (OCP), Neighbourhood Plan policies and zoning.

Part of the neighbourhood plan includes objectives such as creating appropriate affordable housing which meets the needs of a rich diversity of residents, and the proposed redevelopment will house residents with a variety of income levels, ages and family types. The City's Housing Strategy goals places an emphasis on family housing including new affordable housing, encouraging the visual harmony of form and scale between new buildings and adjacent residential units, and respecting the existing streetscape character. Heritage Preservation encourages the conservation and rehabilitation of structures with heritage significance, any redevelopment should enhance existing heritage/character, promote the continued economic life of heritage structures. The proposal considers these.

What development approvals are required or have been received?

The proposed 107-unit development is within the current R3-2 zone regulations. A development permit, building permit, heritage restoration, and demolition permit approvals are required.



#### 4. Experience and Capacity to Develop and Manage Affordable Housing

Outline the proponent's experience in the development and management of affordable housing. How does this project compare to this previous experience and the proponent's capacity to complete the project in the short-term and manage it over the long-term?

CRHC owns 1,286 rental units, and manages more than 1,450 rental units in 50 different properties. The CRHC has a 73-unit apartment building under construction in the District of Saanich, and proposes to build an additional three affordable housing development projects including Michigan Square in the next two to three years. The proposed 107-unit Michigan Square redevelopment project is similar in size to other developments owned and operated by the CRHC. CRHC employs more than 25 office and caretaker staff dedicated to the development and operation of all existing and new projects. Additionally, CRHC utilizes consultants where necessary in the development of new housing projects.

#### 5. Project Financing and Sustainability

A. Describe how the funding model will support long-term financial sustainability and housing affordability. Please also attach a detailed Capital Budget and 10-year Operating Budget. For affordable home ownership projects, detail how the units will be affordable and will remain so over time.

The total project is estimated to cost \$35.76million. CRHC already owns the land and has equity due to the piles section of the underground parkade that will remain in place. The project requires equity of \$21.18million. Of this amount, the land is valued at \$6.45million, CRHC is providing an additional equity contribution of \$1million, BCH proposed equity is \$9.8million, and the City of Victoria Housing Reserve Fund is \$1.485million. The equity shortfall is \$2,415,000 which will be accommodated through a mortgage subsidy provided by BC Housing.

See attached proforma.

#### 6. Partnerships

List partners in this project (developers, agencies, other levels of government etc.), and detail their involvement.

BC Housing is the primary partner on this project and will provide construction and takeout financing. The project will be designed to the BC Housing design guidelines and will be supported by an operating agreement which secures the units as affordable.

#### 7. Other Information

Provide any other information that supports your application.

The following are some of the guiding principles:

- Design the project to meet the demand for Affordable Housing;
- Create a project that offers positive visual effects and relationships with the local community;
- Communicate and engage effectively with all stakeholders, including the community;
- Ensure that the design incorporates energy efficient measures & sustainability principles;
- Match building form and bedroom numbers with prospective residents and community;
- Continuously identify, evaluate and manage project risks; and