



Committee of the Whole Report For the Meeting of March 14, 2019

To: Committee of the Whole **Date:** February 28, 2019
From: Andrea Hudson, Acting Director, Sustainable Planning and Community Development
Subject: **Victoria Housing Reserve Fund Application for 330-336 Michigan Street (Michigan Square)**

RECOMMENDATIONS

That Council approve a Victoria Housing Reserve Fund grant application from the Capital Region Housing Corporation in the amount of \$1,485,000 to assist in the construction of 98 units of affordable housing for seniors, adults with disabilities, working singles and small families at Michigan Square located at 330-336 Michigan Street, subject to the following conditions:

1. The applicant receives Council approval for the required development permit applications for 330-336 Michigan Street and the applicant executes a Housing Fund Agreement and Housing Agreement in the form satisfactory to the City Solicitor and the Director of Sustainable Planning and Community Development; and
2. The applicant fulfills the requirements of the Victoria Housing Reserve Fund Guidelines.

EXECUTIVE SUMMARY

The City of Victoria is in receipt of a Victoria Housing Reserve Fund (VHRF) Grant Application (attachment 1) from the Capital Region Housing Corporation (CRHC) seeking \$1,485,000 to assist in the redevelopment of the an existing (CRHC owned) three-storey, 62-unit, affordable housing apartment into a four-storey, 98-unit, affordable housing apartment at 330-336 Michigan Street (attachment 2). The new development will provide affordable housing for existing and new tenants composed of very low, low and moderate income seniors, adults with disabilities, working singles and small families. The proposed monthly rents range from \$375 for (very low income) up to \$2300 for (moderate income) three-bedroom units. The monthly rental rates for very low, low and moderate incomes are consistent with the VHRF Guidelines and will be secured through a Housing Agreement. Staff have also completed an evaluation of the project (attachment 3) and confirm that the project provides strong alignment with the Victoria Housing Reserve Fund Guidelines and objectives for providing affordable housing.

The CRHC has also provided a Tenant Assistance Plan (attachment 4) as part of their grant application that generally complies with the City's Tenant Assistance Policy. The plan outlines an approach for working with each existing tenant to develop individualized tenant assistance plans to support their relocation to other CRHC properties during construction, including additional compensation and support for vulnerable tenants. The Tenant Assistance Plan also commits to providing existing tenants with the right of first refusal for affordable housing in the

new building or the ability to seek similar housing in other comparable properties at a comparable rent.

This grant application, in combination with another current grant application for 2558 Quadra Street, has the potential to reduce the remaining balance of the VHRF that may impact funding opportunities for future applications received in 2019. However, the proposed project has strong alignment with the affordable housing priorities outlined in the VHRF. If approved, the disbursement of the VHRF grant will be subject to Council's approval of the required development permit applications, which have not yet been received by the City; as well as, fulfilling the requirements of the Victoria Housing Reserve Fund Guidelines and execution of a Housing Agreement and a Housing Fund Grant Agreement.

PURPOSE

The purpose of this report is to present Council with information, analysis and recommendations for a Victoria Housing Reserve Fund grant application from the Capital Region Housing Corporation (CRHC) to assist in the construction of a four-storey, 98-unit, affordable housing apartment that will replace an existing three-storey, 44-unit affordable housing apartment and 11 townhouses known as Michigan Square, located at 330-336 Michigan Street.

BACKGROUND

The CRHC is the largest social housing provider in the capital region. The CRHC currently owns and/or manages 1450 rental units in 50 different properties across seven different Greater Victoria municipalities. The CRHC received a \$55,000 VHRF grant in 2007 to support the development of a 21-unit, affordable assisted living project at 408 Parry Street.

ISSUES AND ANALYSIS

Located in the James Bay neighbourhood at 330-336 Michigan Street, Michigan Square is composed of a three-storey apartment building with 44 units and 12 townhouses that were originally constructed in 1985. The site also contains a heritage building with six units. Michigan Square provides affordable housing for families and persons with disabilities. The CRHC is proposing to redevelop the apartment building and 11 townhouses with a new four-storey, 98-unit affordable housing apartment. The existing heritage building with six units and an attached townhouse with three units will be retained. Therefore, once complete, the new development will contain a total of 107 affordable housing units.

Staff have completed an eligibility evaluation of the Capital Region Housing Corporation's VHRF application and conclude that the application meets the VHRF Guidelines and is a secure investment for the City, which will lead to the construction of 98 new housing units for existing and new tenants composed of very low, low and moderate income seniors, adults with disabilities, working singles and small families. The evaluation form also outlines how the project aligns with other City objectives such as those outlined in the *Official Community Plan*.

Affordability Requirements

Michigan Square will provide a mix of unit types for a range of incomes (very low, low and moderate) as outlined in the following table:

Unit Type	Unit Count	Target Income Level	Monthly Rent	VHRF Contribution per Unit	Total VHRF Contribution
Studio	4	Very Low	\$375	\$10,000	\$40,000
One bedroom	7	Very Low	\$525	\$10,000	\$70,000
Two bedroom	7	Very Low	\$600	\$20,000	\$140,000
Three bedroom	1	Very Low	\$600	\$30,000	\$30,000
One bedroom	11	Low	\$648	\$10,000	\$110,000
Two bedroom	33	Low	\$840	\$20,000	\$660,000
Three bedroom	5	Low	\$1208	\$30,000	\$150,000
One bedroom	9	Moderate	\$1350	\$5,000	\$45,000
Two bedroom	15	Moderate	\$1800	\$10,000	\$150,000
Three bedroom	6	Moderate	\$2300	\$15,000	\$90,000
Total	98 units				\$1,485,000

The proposed rental rates fall within the income criteria set out in the Victoria Housing Reserve Fund Guidelines.

Leveraging Additional Funding

The applicant has confirmed that they have applied for \$9.8 million grant from BC Housing that is currently pending approval. The applicant has also applied for a \$750,000 grant from the Regional Housing Trust Fund, which is also pending approval. Operations at the new Michigan Square project are anticipated to be largely supported by the rents received. The Capital Region Housing Corporation has confirmed that if they do not receive funding from the City of Victoria, their grant applications with BC Housing and the Regional Housing Trust Fund would both be jeopardized as they are each contingent on the applicant securing other funding partnerships. This may result in the affordable housing project either not being constructed or delayed significantly until other funding partnerships or sources are established.

Legal Agreements

If Council approves the grant request, the applicant has made a commitment to enter into a legal agreement (Housing Fund Grant Agreement) with the City of Victoria to secure the conditions of the grant, as outlined in the Victoria Housing Reserve Fund Guidelines. The applicant has also agreed to enter into a Housing Agreement with the City to:

- secure in perpetuity, 98 new units of affordable housing for adults with disabilities, working singles and small families;
- secure a mix of studio, one-bedroom, two-bedroom and three-bedroom affordable housing units, as outlined in the grant application for 330-336 Michigan Street; and
- secure very low, low and moderate income rent levels as defined by the VHRF Guidelines.

The existing property does not have a Housing Agreement in place with the City. The applicant is also required to provide a one-year progress report to the City outlining how the project is achieving the affordability targets outlined in the Housing Agreement.

Capacity of the Victoria Housing Fund

The VHRF has a current unallocated balance of \$1,238,915; however, it is anticipated that in

April 2019, Council will be considering the annual VHRF contribution of \$250,000 and a one-time supplementary contribution of \$750,000, as part of the 2019 Financial Plan Bylaw. If approved, the VHRF will have a balance of \$2,238,915. The City currently has two remaining grant applications from 2018 that are seeking a combined grant amount of \$1,925,000 (\$1,485,000 + \$440,000); therefore, if both VHRF grants are approved in full, and the 2019 VHRF contributions are approved, the VHRF will have a remaining balance of approximately \$313,915 to support grant applications received as part of the 2019 grant intakes on March 31 and September 30, 2019.

Tenant Assistance Plan

The Tenant Assistance Plan generally complies with the City's Tenant Assistance Policy as it outlines an approach for working with each existing tenant to develop individualized tenant assistance plans to support their relocation to other CRHC properties during construction, including additional compensation and support for vulnerable tenants. The Tenant Assistance Plan also commits to providing existing tenants with the right of first refusal for affordable housing in the new building, or the ability to seek similar housing in other comparable properties at a comparable rent. The applicant has identified that contrary to the requirements of the City's Tenant Assistance Policy, they are not able to discount rents in the new building by 10% off the starting rate for current tenants that choose to remain in the building. Subsidized rents in affordable housing projects are generally set and agreed upon with BC Housing which prevents housing providers from being able to easily alter the rents. Staff have also confirmed that the 10% requirement was introduced primarily as a policy for private property owners rather than non-profit housing providers. In addition, the need for increased flexibility for tenant assistance strategies by non-profit housing providers was a key recommendation identified by with the Victoria Housing Reserve Fund Guidelines working group. These recommendations were also presented to Council on December 13, 2018.

OPTIONS AND IMPACTS

Option 1 - Approve the Grant Request

Approval of a \$1,485,000 grant request will allow the Capital Region Housing Corporation to provide 98 new units of affordable rental housing for seniors, adults with disabilities, working singles and small families with very low, low and moderate incomes; however, approval of this grant, in combination with another remaining grant application seeking \$440,000 for 2558 Quadra Street, has the potential to significantly reduce the VHRF prior to receiving applications through the 2019 intake process.

Option 2 – Approve a reduced grant amount

Council may consider approving a reduced grant amount for the project. A reduced grant amount could result in a reduced number of affordable housing units being provided and other potential financial impacts to the project; however, a reduced grant amount may also allow for increased Housing Reserve Funds to better support future applications received through the 2019 intake process.

Option 3 - Decline the Grant Request

Should the grant be declined, construction of the 98 new affordable housing units may not be economically feasible. This would allow for the current Housing Reserve Fund to be used in support of other grant applications received through the 2019 intake process.

Accessibility Impact Statement

This grant request will have no accessibility impacts.

2015 - 2018 Strategic Plan

Providing grants to support the development of supportive and affordable rental housing aligns with and supports Council's strategic priority to Make Victoria More Affordable (Objective 6). Support for the development also aligns with Council's strategic priority to Facilitate Social Inclusion and Community Wellness (Objective 7).

Impacts to Financial Plan

Approval of a \$1,485,000 grant to the CRHC will affect the current (2018) Financial Plan, as the current VHRF balance of \$1,238,915 is insufficient to fund this application. The City is also in receipt of another grant application seeking \$440,000 to support the development of 40 new units of affordable housing at 2558 Quadra Street. The combined total of both applications is \$1,925,000, which exceeds the current VHRF balance. It is anticipated that in April 2019 Council will consider the annual VHRF contribution of \$250,000, and a one-time supplementary contribution of \$750,000, as part of the 2019 Financial Plan Bylaw. If these contributions to the VHRF funds are approved, and the two current applications are approved at the proposed grant request levels, the VHRF will have a remaining balance of approximately \$313,915 to support any VHRF grants that are received as part of the 2019 grant intakes on March 31 and September 30, 2019.

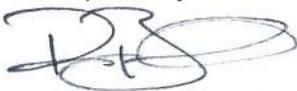
Official Community Plan Consistency Statement

This project supports OCP policies related to working with coordinated community and regional efforts to enable stable, affordable housing for seniors.

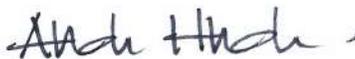
CONCLUSIONS

The VHRF grant application from the Capital Region Housing Corporation presented in this report meets the updated VHRF Guidelines and would lead to the construction of 98 new affordable housing units for seniors, adults with disabilities, working singles and small families with very low, low and moderate incomes.

Respectfully submitted,



Robert Batallas,
Senior Planner
Community Planning Division



Andrea Hudson,
Acting Director
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager:



Date: March 8, 2019

List of Attachments:

- Attachment 1: Application to the Victoria Housing Fund
- Attachment 2: Aerial Map – 330/336 Michigan Street
- Attachment 3: Project Eligibility Evaluation Form
- Attachment 4: Tenant Assistance Plan.