



Committee of the Whole Report

For the Meeting of July 4, 2019

To: Committee of the Whole **Date:** May 29, 2019
From: Andrea Hudson, Acting Director, Sustainable Planning and Community Development
Subject: **Victoria Housing Reserve Fund Guidelines Update**

RECOMMENDATION

That Council direct staff to:

1. Continue considering Victoria Housing Reserve Fund applications based on gross new units in redevelopment projects.
2. Add a Tenant Assistance Plan section to the Victoria Housing Reserve Fund application form to provide clarity on tenant protections for redevelopment projects seeking funding.
3. Establish a Victoria Housing Reserve Fund Working Group for future policy reviews and revisions to the Victoria Housing Reserve Fund Guidelines on an as-needed basis.
4. Update the Victoria Housing Reserve Fund Guidelines as follows:
 - a. add a funding cap, indicating that grant contributions must not exceed non-refundable contributions from other levels of government on the same project
 - b. remove staff assessment timeline of “within one month after the intake deadline, and two months to receive a Council decision.”
 - c. replace existing fund definitions with Victoria Housing Target definitions and only fund units for very low, low, and low to moderate incomes

EXECUTIVE SUMMARY

The purpose of this report is to provide information, analysis, and recommendations on updates to the Victoria Housing Reserve Fund (VHRF) Guidelines in response to previous Council motions related to requests for funding on redevelopment projects: 1) to consider funding only net new units, and 2) considerations for maintaining rent levels when tenants are required to move in projects funded by the VHRF.

Additionally, as of May 2019, the fund has insufficient capacity to fulfil requests for funding received in the March 31, 2019 funding call. This report proposes some solutions that Council may consider improving the long-term sustainability of the fund, including capping total eligible grants and seeking additional opportunities for sourcing contributions to the fund.

PURPOSE

The purpose of this report is to provide Council with information, analysis, and recommendations on considerations around funding options and tenant protections on redevelopment projects receiving grant contributions from the Victoria Housing Reserve Fund.

BACKGROUND

The Victoria Housing Reserve Fund (VHRF) provides financial grants to assist with the development and retention of affordable housing for households with very low to moderate incomes, as well as to help achieve Victoria's affordable housing targets.

In March 2019, after awarding funds to two separate applicants to the VHRF, both of which were redeveloping existing affordable housing projects, Council made the following motions:

1. On March 14, 2019, Council directed staff to report back in the context of the next update on the Victoria Housing Strategy on the following:

Incorporating the following provisions into the criteria for housing reserve fund applications:

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;*

That the staff report include considerations for viability of redevelopment projects

That staff be directed to do this work on a priority basis as part of the Victoria Housing Strategy.

2. And on March 21, 2019, Council made another motion:

That staff be requested to report back on options for basing City grant programs on net additions to the affordable housing stock.

ISSUES & ANALYSIS

1. Jurisdictional Affordable Housing Fund Review in British Columbia and Other Cities

In consideration of the Council motions related to funding redevelopment applications, an updated policy scan and jurisdictional review of municipal affordable housing funds was conducted by staff (Attachment A). This included a literature review of municipal policy documents, institutional research and publications as well as interviews with municipal staff.

As of May 2019, 12 municipalities in Metro Vancouver and 14 local governments in the Capital Regional District currently have a variation of an affordable housing fund. In addition, other cities such as Kelowna, Calgary, Edmonton, and Saskatoon have similar funding programs. These policies are tailored to best suit each municipality's unique contexts, with differences including housing need and demand, residential land values, supply of land, municipal government capacity and resources as well as length of policy implementation, among others. However, there are common elements supported by research, publications, and current implementation.

Funding Sources and Uses

Most municipalities fund their affordable housing funds through a density bonus system with varying level of contributions. Some municipalities source the fund through property taxes and general

revenue surplus, while some offer tax abatements, city development application and permit waivers, development cost charge reduction and waivers, while others have land banks. Non-profits are typically the primary users of the fund, however, other municipalities (e.g. the City of North Vancouver) also allow use of the fund at Council's discretion for conferences, pop-up housing demonstrations, consultants, and other housing related activities.

Experience with Administering Funds

Municipalities had varying and limited experience with non-profits applying to the affordable housing fund for the purpose of redevelopment, however, discussions around upcoming redevelopment projects were expressed. At this time, there are municipalities that support redevelopment projects based on gross units, including Coquitlam, Saskatoon, and Kelowna, and others, like North Vancouver (City) and Edmonton that support net new units. There are also municipalities, such as Burnaby, that supports both gross and net new based on the project proposal. As well, Port Moody and Calgary have yet to face this scenario and have not indicated whether gross or net new units are supported. As each municipality uses their fund in different capacities, the common themes were that all redevelopment projects require funding securement and that any form of funding, whether for gross or net units, is helpful in assisting with the viability of the project and/or leveraging the securement of other funds. For example, the City of Coquitlam's fund criteria caps city contributions to the amount contributed by the Province, in order to help address issues related to the City's appropriate role in fund contributions in comparison to senior levels of government.

Tenant Assistance Policies

Many mainland BC municipalities have a tenant assistance policy in place that supports tenant relocation as part of redevelopment projects. With varying level of details in the policy, some municipalities incorporated components of tenant relocation assistance and right of first refusal (with varying compensation and discounts/offering for right of first refusal). Some municipalities, such as Surrey and Vancouver, indicate conditions of the tenant assistance policy for non-market or social housing, but most municipalities provide general policy language about redevelopment projects that may or may not include non-market or social housing. To note, while this policy is triggered in a rezoning, most municipalities do not infer a grant funding relationship. Table 1 summarizes the policy components of BC municipalities.

Table 1: Summary of BC Municipalities with Tenant Assistance Policies, including whether this policy is adopted and implemented, offers tenant relocation assistance, and offer right of first refusal (x = yes)

City	Tenant Assistance Policy	Tenant Relocation Assistance	Right of First Refusal
Burnaby	x	x	x
Coquitlam	x	x	
Delta			
Langley (City)			
Langley (Township)	x		x
Maple Ridge	x	x	x
New Westminster	x	x	
North Vancouver (City)	x	x	x

City	Tenant Assistance Policy	Tenant Relocation Assistance	Right of First Refusal
North Vancouver (District)	x	x	x
Pitt Meadows			
Port Coquitlam			
Port Moody	x	x	x
Richmond	x	x	x
Surrey	x	x	x
Vancouver	x	x	x
Victoria	x	x	x
West Vancouver			
White Rock	x	x	x

Note: while municipalities have varying level of details in the Tenant Assistance Policy, there may be other complementary policies in place that offer support for tenants in redevelopment projects.

Staff in other municipalities mentioned that they allow some flexibility in their tenant assistance policy for non-profits. For example, in cases where non-profits bring forward a redevelopment project, non-profits may already have tenant assistance plans or procedures in place to relocate and rehouse tenants into appropriate accommodations within their own housing stock or others (e.g. market, below-market, non-market, social housing, etc.). In these cases, flexibility in the tenant assistance policy guidelines and the affordable housing fund in each development are important to respond accordingly to the unique project and tenant support needs.

2. Consultation with Non-Profit Housing Providers and Funders

Staff reconvened the non-profit housing providers who participated in the last VHRF focus group and survey in October 2018 and have also included core funders in this consultation to receive input on the potential implications of the proposed changes. A full summary of the review can be found in Attachment B.

Participants

Participants provided feedback through email, phone, and in-person, and included representatives from the following organizations (8): Greater Victoria Housing Society; Habitat for Humanity; Pacifica Housing; Capital Regional Housing Corporation; M'akola Development Services; Capital Regional District (CRD); BC Housing; and Canada Mortgage and Housing Corporation (CMHC).

A. Gross vs net unit grant program

Non-profit housing providers recommend that the City should continue considering the grant program based on gross units in redevelopment projects. Non-profits cautioned that if funds were only granted for net new units, the redevelopment of aging housing stock requiring upgrades or repairs would be discouraged and the creation of new housing units on project sites would be limited.

CRD, BC Housing and CMHC all noted that for non-profit housing development and operations, the viability of a project is subject to current development and market conditions (e.g. land cost, construction cost, etc.). All funders stated that they consider gross units for a project, with a note that the CRD could consider both net new and gross in a redevelopment dependent on project proposal. Different levels of government have different applicant requirements (e.g. mixed rents and incomes, building code standards, etc.) and reducing municipal grant eligibility to net new units could create more challenges for non-profits to meet all funding requirements.

B. Tenant Assistance - All existing tenants are offered alternate rental housing at existing rent levels

The City of Victoria's Tenant Assistance Policy currently applies to projects where tenants may be displaced due to the redevelopment or renovation of existing rental units. The policy includes a section on relocation assistance where applicants must provide tenants with three alternate housing options, which should be comparable in size, location and rent amount (unless otherwise agreed to by the tenant), and that all options be in the CRD, with at least one in the same neighbourhood. Rent should be set at no more than the CMHC average rents for the area, or at a level comparable to the tenant's current rate if higher than CMHC average.

When redevelopment displaces tenants in non-profit housing projects, providers noted that they offer alternate rental housing within their housing portfolio, or they ask for support from other non-profits to assist in providing temporary affordable housing units for displaced residents. In this way, tenants are able to continue to live in subsidized housing during the redevelopment process. Non-profits indicated that a strict restriction on rent levels will significantly increase operational costs and would require additional subsidy from senior levels of government. For some non-profits, the impact of restricting rent levels could make projects unviable for redevelopment. Other non-profits even indicated that they may not consider applying to the VHRF should this change be adopted for the administrative burden of the fund process and guidelines.

C. Tenant Assistance – No net loss of units at existing rent levels in the new building

Under the recent changes to the Residential Tenancy Act in May 2018, tenants can exercise the right of first refusal and enter into a new tenancy agreement at a rent determined by the landlord if the landlord ends their tenancy to renovate or repair rental unit. This provision only applies to rental units in residential properties containing 5 or more units and does not apply in instances of demolition of residential property.

The Tenant Assistance Policy is flexible for non-market and social housing development, where negotiating for reduced compensation for tenants may be possible (e.g. when tenants are permanently relocated in comparable accommodation within an organization's existing portfolio). However, the policy recommends that tenants affected by any redevelopment should be offered the right of first refusal at 10% below starting market rents for the new units.

Non-profits have expressed concern that allowing no net loss of units at existing rent levels in new buildings would be very difficult to achieve without financial support from other levels of government. Further, these changes could jeopardize the development of actual affordable housing under certain funding programs, depending on the program(s) that the proponent may be applying for, or in instances where there is no senior government support. For example, in projects with no additional funding, deeper affordability for existing units can only be achieved by raising the rents in the other units, which may compromise the more expensive units' eligibility for funding.

Tenant Assistance Recommendations and Policy Update

To provide better clarity for non-profits seeking funding for redevelopment projects, staff recommend adding a section on tenant assistance provisions as part of the VHRF application form. In this section, non-profits can indicate how the organization will help successfully relocate tenants based on the existing tenant needs. An updated application form is presented to Council and can be found in Attachment C. This section would summarize the tenant assistance plan during the fund application process; a full tenant assistance plan in detail would still be required as part of a rezoning application.

Summary of Feedback

Overall, feedback from participants expressed concern for the viability of projects with the provisions that the City is considering, and some suggested they would no longer seek support from the fund on affordable housing projects. Staff recommend Council consider continuing to fund gross new units in redevelopment projects that meet the eligibility requirements in the Victoria Housing Reserve Fund Program Guidelines.

Non-profit societies also expressed concerns about maintaining existing rent levels in both the alternate accommodation and on return to the redeveloped units, noting that the financial impacts of these changes could impact project viability and the ability of applicants to meet other funders' requirements. Given this information, and the mandate of non-profit societies to provide housing that is affordable for tenants, staff recommend Council consider directing staff to provide more clarity to the VHRF application form in instances of redevelopment, and maintaining alignment of the Tenant Assistance Policy requirements, with added flexibility for non-profit societies relocating tenants within existing or partner non-profit housing portfolios.

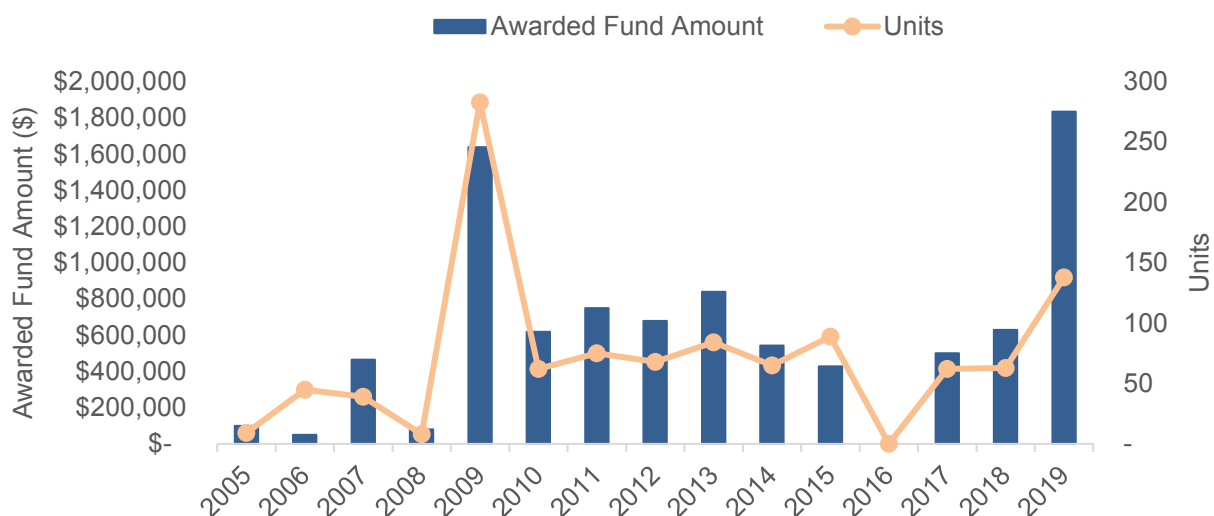
3. VHRF Working Group

The VHRF Guidelines will require continual review and revision to maximize the use of the fund. Organizations from the non-profit housing providers and core funders have agreed to be a part of a working group to review changes on an 'as needed' basis.

4. Fund Pressures

Since 2005, the VHRF has awarded approximately \$9,100,000 to housing projects contributing nearly 1,100 units of affordable housing. Figure 1 illustrates the annual amount of funds awarded and the number of units from 2005 to May 2019. In recent years, the funding assistance has changed from a per door basis to a per bedroom basis with different fund amounts (one, two, and three bedroom) which would reflect the number of units proposed to the awarded fund amount. The list of awarded funds and types of housing projects are also reported out in the City's Annual Housing Report (Attachment D).

As of today, the remaining balance in the VHRF is \$403,915. At the last intake on March 31, 2019, staff received two applications that, combined, may be eligible for up to \$2.2 million in funding. While this amount could change throughout the application process, there are likely to remain substantial funding pressures and a potential oversubscription of the fund. However, both applicants have asked staff to hold on bringing the VHRF request forward as both projects require a rezoning and have opted to wait until this has been achieved.



Year	Awarded Fund*	Units*
2005 - 2019	\$9,162,452	1,090

Figure 1: Awarded housing reserve fund amount and number of units from 2005 – May 2019.

**Note: Some projects are subject to change pending permit approvals and final completion*

While initially Council directed staff to return with eligible applications three months following the intake deadlines, staff recommend Council to consider removing the evaluation timeframe. Staff will continue to process these applications and bring to Council as quickly as possible given the City's priorities for affordable housing, however the uncertainty of the development process and consideration of grants alongside rezonings means these types of situations are likely to reoccur, so some flexibility is warranted.

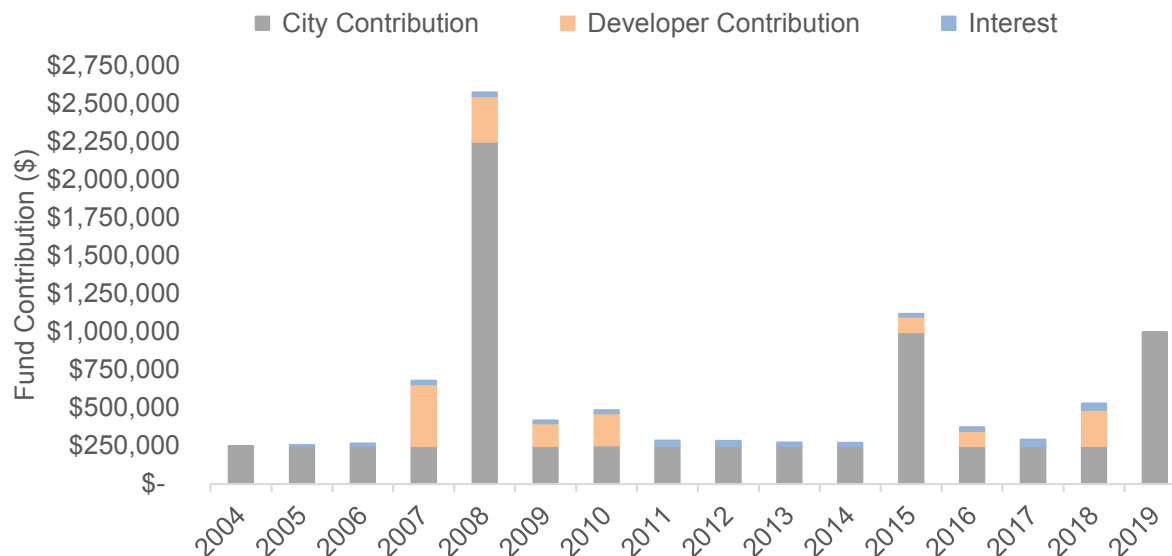
Given the current pressure on the fund, Council may wish to consider any new applications received in the September intake be assessed alongside the two applications received in March to allow consideration of each project on their merits.

The Role of Funding from Different Levels of Government

The City will also need to reconsider what role the municipal, regional, provincial and federal jurisdictions have when it comes to funding affordable housing projects in the long term. There has been a shift in the political landscape since the VHRF was created. Initially, there was limited financial support available for new affordable housing projects, and there were not enough eligible projects in which to apply the funds. Today, the Province of British Columbia and Government of Canada are both reinvesting in affordable housing at historic levels, and the balance has tipped so that there are more projects being created than the fund can support.

Considering this renewed support and influx of fund applications in recent years, staff recommend that Council consider limiting the total amount of funds projects may receive, either by articulating that the fund request cannot exceed the amount contributed by senior levels of government, by setting a monetary cap (e.g. \$500,000 per project), or a maximum percentage of total capital cost of project (e.g. up to 5% of total capital cost of project). Council may also wish to consider reducing the bedroom unit contribution amount to adjust the current demands of the fund.

Fund Contributions



Year	City Contribution	Developer Contribution	Interest*
2004 - 2019	\$7,504,192	\$1,502,385	\$349,789

Figure 2: History of city and developer contribution from 2004 – May 2019

*Note: All reserves receive an interest allocation as part of the City's year-end process

Figure 2 illustrates the various fund contribution amounts from 2004 to May 2019. Currently, the VHRF receives property tax allocations of \$250,000 annually (with some years receiving additional one-time allocations from previous year's surplus to the fund), investment interest accumulations, and developer contributions to the fund as part of rezoning negotiations and in the form of cash-in-lieu Community Amenity Contributions. This includes Council's commitment to increase housing funding from \$250,000 to \$1 million for the 2019 year. As part of the 2020 financial planning process, Council may wish to further explore other fund sources or increase property tax allocations to assist with the continuation and sustainability of the VHRF based on current demand.

5. Housing Definition Updates

Table 2 below identifies the existing VHRF guideline definitions and the City of Victoria's updated Housing Targets. The existing definitions include different sources from the Province of BC, BC Housing and Statistics Canada, whereas the city's housing targets are based on the City of Victoria's income, housing cost, household size, and statistical analysis of specific population needs. To create consistency with housing definitions and targets, staff recommend updating the VHRF guideline definitions with the city's current housing target definitions. Alignment of definitions will help better identify and monitor the number of units created by the fund and the overall housing stock. As well, these rent targets can be updated annually based on data availability such as Census, annual BC Housing Income Limits, and annual CIP adjustments.

Table 2: Existing and proposed definition changes for the Victoria Housing Reserve Fund Guidelines

	VHRF (Existing Definition)	City of Victoria Housing Targets 2016 - 2031 (Proposed Definition)
Very Low Income	Households earning no employment income and/or in receipt of Income Assistance	< \$20k / yr
Low Income	Households with a gross annual income at or below current Housing Income Limits (HILs), as published by BC Housing on an annual basis.	\$20 - \$35k / yr
Low to Moderate Income	Not defined	\$35 - \$55k / yr
Moderate Income	Households with incomes at or below the latest available census data for the Victoria census metropolitan area median total income, as defined by Statistics Canada	\$55 - \$85k / yr

Funding Targets

The City of Victoria's median household income is \$53,126 based on the 2016 Census data. To prioritize projects that provide housing for people with very low and low incomes first, as well as low to moderate income with the City of Victoria's Housing Targets, staff recommend Council to only grant fund units in the first three quartiles, including very low (<\$20,000), low (\$20,000 – \$35,000), and low to moderate income (\$35,000-\$55,000). With these changes, the VHRF would effectively focus on providing housing for people near and below the median household income. Updates can be considered when the Census data becomes available every four years. Staff will also bring forward new housing targets as part of the update to the Victoria Housing Strategy to Council following this report that will be rectified with the new target definitions accordingly.

The revised Victoria Housing Reserve Fund Guidelines with the changes mentioned above can be found in Attachment E.

OPTIONS & IMPACTS

Option 1: Adopt the proposed Victoria Housing Reserve Fund Guideline updates (Recommended)

- Continue to fund gross new units in redevelopment projects seeking funding
- Continue to allow flexibility in rent levels in redevelopment projects seeking funding for non-profit housing societies
- Create a working group to review improvements to the VHRF guidelines on an ongoing basis
- Introduce a maximum funding cap to ensure VHRF funds do not exceed grants from other levels of government
- Remove staff evaluation timeframe for VHRF applications
- Update the VHRF guideline definitions to be consistent with the City of Victoria Housing Targets (2016 – 2031) and only fund units for very low, low, and low to moderate income

Option 2: Adopt Council motions to fund applications based on net new units for redevelopment projects and maintain existing rent levels in alternate accommodation and on return to redeveloped projects.

This option is not recommended as analysis and information has indicated these changes may reduce project viability, non-profits' eligibility for VHRF funding, and funding from other levels of government. As a result, these changes may negatively impact the number of new housing units created in Victoria, at a time where non-profit housing development is supported by provincial and federal funding partners.

Accessibility Impact Statement

The proposed updates to the VHRF have no accessibility impacts.

2019 - 2022 Strategic Plan

This further revision of the VHRF aligns with the 2019 – 2022 Strategic Plan Objectives 1: Good Governance and Civic Engagement and 3: Affordable Housing.

Impacts to Financial Plan

The proposed changes to the VHRF guidelines will not have an impact on the financial plan. However, staff recommend exploring other fund sources to sustain the VHRF and fund considerations may have implications to the financial plan.

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 VHRF guidelines that are outlined in this report will promote the fund's long-term sustainability, maintain flexibility for non-profit societies applying to the fund who are creating affordable housing in Victoria, and allow funding requests to help achieve Victoria's affordable housing targets and ensure displaced tenants are provided support outlined in the Tenant Assistance Plan revision.

Respectfully submitted,



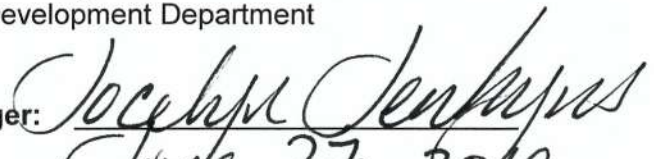
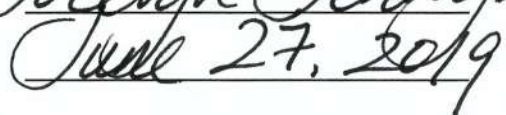
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Report accepted and recommended by the City Manager:

Date:

List of Attachments

- Attachment A: Jurisdictional Affordable Housing Fund Review in British Columbia and Other Cities
- Attachment B: Consultation Summary with Non-Profit Housing Providers and Funders
- Attachment C: Revised Victoria Housing Reserve Fund Application Form
- Attachment D: Victoria Housing Reserve Fund Activity 2005 – 2019
- Attachment E: Victoria Housing Reserve Fund Program Guidelines June 2019