



Committee of the Whole Report

For the Meeting of February 27, 2020

To: Committee of the Whole **Date:** January 23, 2020

From: Karen Hoese, Director, Sustainable Planning and Community Development

Subject: **Revised Victoria Housing Reserve Fund Grant Application for 330-336 Michigan Street (Michigan Square)**

RECOMMENDATIONS

That Council:

1. Reduce the grant, approved on March 21, 2019, from the Victoria Housing Reserve Fund to the Capital Region Housing Corporation for the Michigan Square project located at 330-336 Michigan Street from \$1,395,000 to \$990,000 to reflect changes to the project, specifically reduction in number and composition of eligible units.
2. Confirm that all other terms and conditions of the grant approval continue to apply in accordance with the March 21, 2019 approval, except for the number and composition of proposed units.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with updated recommendations related to a Victoria Housing Reserve Fund (VHRF) grant application that was originally approved by Council on March 21, 2019, based on the Victoria Housing Reserve Fund Guidelines that existed at the time, to support the construction of a 98-unit housing development at 330-336 Michigan Street by the Capital Region Housing Corporation (CRHC).

Following approval of the VHRF grant, the CRHC submitted a Development Permit with Variance application to the City that indicates a total of 97 units rather than the original proposal of 98 units. The CRHC has also revised the overall unit composition, resulting in the reduction of grant eligibility from \$1,395,000 to \$990,000. Staff have re-evaluated the updated project using the same VHRF guidelines that were used to evaluate and approve the original application, and have confirmed that the project continues to support the original intent of providing affordable and below market housing through a mix of studio, one, two, and three-bedroom units for individuals and families with very low, low and moderate incomes.

The reduced grant will result in \$405,000 remaining in the VHRF to support other affordable housing projects.

PURPOSE

The purpose of this report is to present Council with updated recommendations related to a previously approved Victoria Housing Reserve Fund grant application for a below-market housing project at 330-336 Michigan Street, proposed by the Capital Region Housing Corporation (CRHC).

BACKGROUND

City Council passed the following motion on March 21, 2019 related to a Victoria Housing Reserve Fund Grant application:

“That Council approve a Victoria Housing Reserve Fund grant application from the Capital Region Housing Corporation in the amount of \$1,395,000 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.
3. That staff be requested to report back on options for basing City grant programs on net additions to the affordable housing stock”.

Following approval of the grant, the CRHC submitted a Development Permit with Variance application to the City for the proposed development that indicates 97 units rather than the original proposal of 98 units. The CRHC has also updated the proposed unit composition and target income levels based on more recent project planning. These changes have resulted in the need to update the previously approved VHRF grant application and Council approval.

ISSUES AND ANALYSIS

Updated Unit Composition and Grant Funding

The table below provides a comparison of the revised unit count and composition between the originally approved grant application and the information reflected in the current development permit application. In general, the total number of units have been reduced from 98 to 97 units and the total eligible grant has been reduced from \$1,395,000 to \$990,000. More specifically, the total number of very low income units has been increased slightly from 19 to 20 units including more studio and one bedroom units, while the total number of low income units has been reduced from 49 to 22. The total number of moderate income units has been increased from 24 to 47 units, including an increase in the number of two bedroom units from 15 to 35 units. The VHRF guidelines prioritize projects that provide a component of housing for people with very low and low incomes first, over moderate income households, as well as the provision of family housing with two or more bedrooms. Therefore, the revised project still meets these priorities and the overall project continues to comply with the original VHRF guidelines.

Unit Type	Target Income Level	Original Unit Count	Updated Unit Count	Monthly Rent	Eligible VHRF grant per Unit (as per VHRF Guidelines dated March 21, 2019)	Original VHRF Contribution	Updated VHRF Contribution
Studio	Very Low	4	7	\$375	\$10,000	\$40,000	\$70,000
One bedroom	Very Low	7	12	\$375	\$10,000	\$70,000	\$120,000
Two bedroom	Very Low	7	1	\$570	\$20,000	\$140,000	\$20,000
Three bedroom	Very Low	1	0	\$660	\$30,000	\$30,000	\$0
One bedroom	Low	11	9	\$739	\$10,000	\$110,000	\$90,000
Two bedroom	Low	33	11	\$960	\$20,000	\$660,000	\$220,000
Three bedroom	Low	5	2	\$1,380	\$30,000	\$150,000	\$60,000
One bedroom	Moderate	9	12	\$1,250	\$5,000	\$45,000	\$60,000
Two bedroom	Moderate	0	4	\$1,800	\$10,000	\$0	\$40,000
Two bedroom	Moderate	15	11	\$1,950	\$10,000	\$150,000	\$110,000
Two bedroom	Moderate	0	20	\$2,000	\$10,000	\$0	\$200,000
Three bedroom	Market	6	8	\$2,480	N/A	N/A	\$0
Total		98 units	97 units			\$1,395,000	\$990,000

Evaluation of Updated Project

The VHRF grant application for 330-336 Michigan Street was originally evaluated and approved based on criteria contained in the VHRF guidelines that existed on March 21, 2019 (Attachment A). However, on July 11, 2019, Council approved a series of updates to the guidelines including revised definitions of eligible 'affordable housing' based on target income levels and related maximum rents.

For the purpose of considering the updated VHRF grant for 330-336 Michigan Street, staff have completed the recent evaluation using the previous VHRF guidelines, in place at the time of grant approval, that support funding for very low, low and moderate income 'affordable housing'. This provides a fair and consistent evaluation process that continues to reflect the intent of the original approval. Application of the current VHRF guidelines would require submission of a revised application and may result in delays to the project moving forward. It is anticipated that application of the new guidelines would also result in reductions to their eligible grant and may impact the viability of the project based on project financing and planning efforts that have occurred to date.

Legal Agreements

If Council approves the revised unit composition and reduced grant amount, the applicant has maintained their 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.

Capacity of the Victoria Housing Reserve Fund

If approved, the proposed VHRF grant for 330-336 Michigan Street would be revised from \$1,395,000 to \$990,000, resulting in a difference of \$405,000 that would remain in the VHRF. This means that the VHRF would have an unallocated balance of \$2,477,942 to support other affordable housing projects.

OPTIONS AND IMPACTS

Option 1 - Reduce the Grant Amount (Recommended)

Approval of a reduced VHRF grant of \$990,000 will continue to support the Capital Region Housing Corporation's proposal to construct a project that will supply much needed affordable and below market housing for seniors, adults with disabilities, working singles and small families with very low, low and moderate incomes.

Option 2 –Do not approve a reduced grant amount

If Council does not approve a reduced grant amount, the project would be over funded based on updated unit count and composition. This would not align with the funding criteria outlined in the VHRF guidelines (dated March 21, 2019) and would not be an equitable approach for providing funding. This would also result in less funding being available through the VHRF to support other affordable housing projects.

Accessibility Impact Statement

Council's consideration of a revised VHRF grant does not have any accessibility impacts.

2019 - 2022 Strategic Plan

Providing grants to support the development of affordable rental housing supports multiple actions described within Strategic Objective Three: Affordable Housing as well as Strategic Objective Eight: Strong, Liveable Neighbourhoods.

Impacts to Financial Plan

A revised grant to the Capital Region Housing Corporation in the amount of \$990,000 will result in an additional \$405,000 being made available for future VHRF projects, resulting in an overall unallocated balance of \$2,477,942, which is comprised of \$705,000 available for senior housing and \$1,772,942 for all other applications.

Official Community Plan Consistency Statement

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

CONCLUSIONS

Approval of a revised Victoria Housing Reserve Fund grant for the Capital Region Housing will ensure the units at 330-336 Michigan Street are appropriately funded and will release \$405,000 back to the VHRF for future applications to the fund.

Respectfully submitted,



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Senior Planner
Community Planning Division

Alt.



Karen Hoese, Director
Sustainable Planning and Community
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Report accepted and recommended by the City Manager:



Date: Feb 5, 2020

List of Attachments

- Attachment A: Victoria Housing Reserve Fund Guidelines (March 21, 2019 Version).