



Committee of the Whole Report

For the Meeting of July 23, 2020

To: Committee of the Whole **Date:** July 2, 2020

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

Subject: **Victoria Housing Reserve Fund Application for 3020 Douglas Street and 584 Burnside Road East (Burnside)**

RECOMMENDATIONS

That Council approve a grant from the Victoria Housing Reserve Fund to the Victoria Cool Aid Society in the amount of \$450,000 to assist in the construction of the 154-unit Crosstown affordable housing project at 3020 Douglas Street and 584 Burnside Road East, subject to the following conditions:

1. The execution of a Housing Fund Grant Agreement in a form satisfactory to the Director of Sustainable Planning and Community Development and the City Solicitor; with terms for the eligible use of the grant, reporting requirements, repayment, indemnification, and communication protocols;
2. The applicant fulfills the applicable requirements of the Victoria Housing Reserve Fund Guidelines;
3. That the passage of this resolution creates no legal rights for the applicant or any other person, or obligation on the part of the City, until and unless all agreements are fully executed by the City; and
4. \$225,000 shall be payable to the applicant upon execution of the Housing Fund Grant Agreement and the remaining balance of \$225,000 shall be payable to the applicant once the City has issued all required occupancy permits for the project.

EXECUTIVE SUMMARY

The City of Victoria is in receipt of a Victoria Housing Reserve Fund (VHRF) grant application (Attachment 1) from the Victoria Cool Aid Society seeking \$450,000 to assist in the construction of the Crosstown affordable housing project. Crosstown will include a new mixed-use building that will provide 154 units of affordable housing on the site of the current Tally Ho motel at 3020 Douglas Street and 588 Burnside Road East (Attachment 2).

On June 11, 2020 Council approved the rezoning application, development permit with variances and two related housing agreements that secure the units as rental in perpetuity along with the levels of affordability. The current grant application complies with the VHRF Guidelines and outlines how the proposed development will provide affordable housing for individuals, seniors and families with a range of income types. The development includes a mix of unit types ranging from studio units up to three-bedroom family units. The applicant is seeking funding for 70 units

consisting of studio and one-bedroom units that will have monthly rental rates for tenants with very low, low and median incomes as well as rent-geared-to-income units. The former Tally Ho motel that is located on the site is currently being used to provide temporary housing for 52 vulnerable tenants that were previously homeless. The applicant has committed to cover all moving expenses and will coordinate and hire movers to relocate the existing tenants into the new building once it is constructed. All applicable guidelines under the Residential Tenancy Branch and the City of Victoria's Tenant Assistance Policy pertaining to moving expenses and relocation assistance will be met.

The VHRF has a current unallocated net balance of \$3,032,942, including \$705,000 allocated for affordable housing for seniors. The Crosstown project is the only VHRF application remaining from the previous intake process, therefore approval of this grant will result in a net balance of \$2,582,942 that can be used to support other applications that may be received through a forthcoming intake process on September 30, 2020. If approved, this grant will be subject to 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 (VHRF) grant application from the Victoria Cool Aid Society to assist in the phased construction of two buildings that will provide a total of 154 units of affordable housing at 3020 Douglas Street and 588 Burnside Road East.

BACKGROUND

A rezoning application, development permit with variances and related housing agreements were approved by Council on June 11, 2020 to support the phased construction of Crosstown; a 154-unit affordable housing project at 3020 Douglas Street and 588 Burnside Road East. Crosstown includes the construction of a six-storey, mixed-use building consisting of ground floor commercial space and 52 replacement affordable housing units on the upper floors. These units will provide permanent, self-contained homes for the tenants currently housed on-site at the former Tally Ho motel. The project will also include an additional 102 units for seniors, families, couples and adults seeking affordable rental housing - including 4 live-work units to support low-income artists. Of the overall total units, 54 will be supportive housing that will be owned by BC Housing as a condition of their funding and operated by Victoria Cool Aid Society.

ISSUES AND ANALYSIS

Staff have reviewed the application and conclude that the project meets the VHRF Guidelines as outlined below, and is a secure investment for the City that will lead to the construction of a total of 154 housing units for individuals and families with very low (deep subsidy), low, median and moderate incomes.

Affordability Requirements

Providing affordable housing that integrates a mix of income levels is a key priority of the VHRF guidelines. The Crosstown project will achieve this objective by providing a mix of unit and income types as outlined in the table below. Specifically, the project contains a total of 154 affordable rental units composed of 74 very low-income (deep subsidy) units, 50 rent-geared-to-income (RGI) units where the rents will vary from low to median income and 30 affordable market units for tenants with moderate incomes. The applicant is seeking funding that will be used to offset overall capital costs and mortgage debt borrowing costs for 100 affordable units that will be owned and operated by Victoria Cool Aid Society.

Unit Composition and Affordability Table

Unit Type	Number of Units	Target Income Group	Proposed Income Level	Proposed Monthly Rent	VHRF Eligible Grant	VHRF Total Contribution
Studio (Replacement Supportive Housing units)	52	Very Low (Deep Subsidy)	<\$19,999	\$375	N/A (Units Owned by BC Housing)	N/A
Studio	20	Very Low	<\$19,000	\$375	\$200,000	\$200,000
Studio	20	Low - Median (RGI)	\$20,000 - \$34,999	\$425-\$875 (\$604 Avg)	\$100,000 (Based on Median Income)	\$100,000
1 Bedroom (Supportive Housing Units)	2	Very Low (Deep Subsidy)	<\$19,999	\$375	N/A (Units Owned by BC Housing)	N/A
1 Bedroom	30	Low - Median (RGI)	\$20,000 - \$39,800	\$425-\$995 (\$697 Avg)	\$150,000 (Based on Median Income)	\$150,000
1 Bedroom	17	Affordable Market Rent	N/A	\$1475	N/A	N/A
2 Bedroom	4	Affordable Market Rent	N/A	\$1850	N/A	N/A
3 Bedroom	9	Affordable Market Rent	N/A	\$2350	N/A	N/A
Total Units:	154				\$450,000	\$450,000

Leveraging Additional Funding

The applicant is contributing \$450,000 of its own funds to offset the capital project costs as well as the equity from the land that is valued at \$8.3 million. In addition, the applicant has secured over \$29 million in capital and operating grants through funding programs of BC Housing, CMHC, Province of BC and the Government of Canada as outlined below. These grants, along with potential funding from the City of Victoria, will support the project's affordability and long-term viability:

- BC Housing Supportive Housing Fund - \$15,000,000
- BC Housing Community Housing Fund – \$10,000,000
- CMHC National Co-Investment Fund – \$2,500,000
- Ministry of Children and Family Development Childcare Grant - \$1,500,000
- Investing in Canada Infrastructure Grant - \$699,335
- CMHC Seed Funding - \$60,000

The proposed City of Victoria VHRF grant of \$450,000 represents approximately 0.9% of the total construction cost (\$46,232,192) and 1.5% of all grants and contributions (\$29,759,335) excluding land value and owner's equity. Therefore, while the City continues to play an important role as a supporting partner to this local affordable housing project, most of the project funding will be contributed by other levels of government.

Project Priorities

The Crosstown project aligns with nearly all project priorities outlined in the VHRF Guidelines, including the provision of a mix of unit types for individuals, seniors and families that are homeless or at risk of homelessness; mixed affordability; affordable rental units in perpetuity and accessible units. The project will also provide before/after school care, family support services and social recreation programs, and prioritizes housing for people with very low and low incomes over median incomes.

Legal Agreements

There are two separate approved housing agreements for the Crosstown project that secure all units as rental in perpetuity as well as specified affordability levels. The first housing agreement applies to the 54 units that will be owned by BC Housing and the second agreement applies to the other 100 units that will be owned by the applicant. Staff have determined that if Council approves the requested VHRF grant, the existing housing agreements will serve to fulfil the requirements of the VHRF guidelines.

The applicant will also be 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 that applies to the 100 units owned by the applicant.

Tenant Assistance

The former Tally Ho motel that is located on the site is currently being used to provide temporary housing for 52 vulnerable tenants that were previously homeless. The Victoria Cool Aid Society has identified that the existing residents will be accommodated in the first building that is constructed through Phase 1 of the project that includes 52 supportive units.

There will be no displacement of current tenants at the Tally Ho throughout the redevelopment of 3020 Douglas Street and 584 Burnside Road East. When construction of the new building is complete, the Tally Ho tenants will be provided with a notice to end tenancy for their current unit and will enter into new tenancy agreements for the newly constructed units. The applicant will cover all moving expenses and will coordinate and hire movers for this transition with no cost to the tenants. The applicant has also committed to undertake the gradual relocation of these tenants into the new building over a one- to two-week period. The applicant will be required to outline how they have fulfilled these tenant assistance measures as part of the reporting requirements that are outlined in the Housing Fund Grant Agreement. In addition, all applicable guidelines under the Residential Tenancy Branch and the City of Victoria's Tenant Assistance Policy pertaining to moving expenses and relocation assistance will be met.

Capacity of the Victoria Housing Fund

If Council approves a VHRF grant of \$450,000 the VHRF will have an unallocated balance of \$2,582,942 that will be available for future applications received.

OPTIONS AND IMPACTS

Option 1 - Approve the Grant Request

Approval of a \$450,000 grant request will allow the applicant to provide 70 units of dedicated affordable units for individuals, families and seniors, as part of the overall 154-unit development. This project meets many of the VHRF priorities, including mixed income housing for individuals,

families and seniors. Approval of this grant will result in an unallocated VHRF balance of \$2,582,942 that will be available for future applications received.

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.

Option 3 - Decline the Grant Request

Should the grant be declined, this may affect the applicant's ability to secure additional project funding through BC Housing and CMHC as these programs typically require applicants to demonstrate that they have secured other additional funding partnerships.

Accessibility Impact Statement

This grant request will have no accessibility impacts. The project also includes a total of 10 accessible units.

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

Issuance of a \$450,000 grant to the Victoria Cool Aid Society will reduce the VHRF balance from \$3,032,942 to \$2,582,942, which would be comprised of \$705,000 dedicated for affordable senior housing and \$1,877,942 for other affordable housing projects.

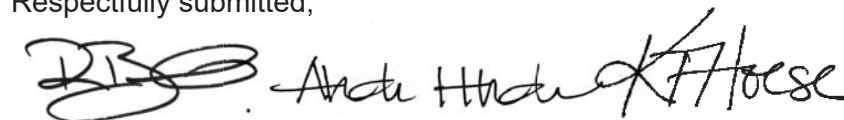
Official Community Plan Consistency Statement

This project supports several OCP objectives, but specifically policies related to achieving multi-generational neighbourhoods by working collaboratively with other public and private partners to plan for the housing of Victoria's population as it ages.

CONCLUSIONS

The VHRF grant application from the Victoria Cool Aid Society presented in this report is well aligned with VHRF priorities and would lead to the construction of 154 affordable housing units for individuals, seniors, and families.

Respectfully submitted,



Robert Batallas,
Senior Planner
Community Planning Division

Karen Hoese, Director
Sustainable Planning and Community
Development Department

Report accepted and recommended by the City Manager:



Date: July 16, 2020

List of Attachments

- Attachment 1: Application to the Victoria Housing Reserve Fund (Crosstown)
- Attachment 2: Aerial Map – 3020 Douglas Street / 588 Burnside Road East.