



Committee of the Whole Report For the Meeting of October 8, 2020

To: Committee of the Whole **Date:** September 21, 2020
From: Karen Hoese, Director, Sustainable Planning and Community Development
Subject: 210 Gorge Road East – Update to Victoria Housing Reserve Fund Grant

RECOMMENDATIONS

That Council:

1. Revise the Victoria Housing Reserve Fund (VHRF) grant approved on August 9, 2018 to the Victoria Cool Aid Society for the Cedar Grove project, located at 210 Gorge Road East, from \$600,000 to \$520,000 to reflect a reduction in the number of eligible affordable rental units from 50 to 42 units, as well as a reduction in the total number of funded bedrooms from 60 to 52.
2. Confirm that all other terms and conditions of the grant approval continue to apply in accordance with the August 9, 2018 approval.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with updated recommendations related to a Victoria Housing Reserve Fund (VHRF) grant application in the amount of \$600,000 that was approved by Council on August 9, 2018 to support the construction of 50 units of affordable housing including the provision of 60 bedrooms as part of the Cedar Grove affordable housing development at 210 Gorge Road East by the Victoria Cool Aid Society.

A housing agreement, rezoning application and development permit with variances were subsequently approved on June 27, 2019. The approved project reflects a reduction to the overall building size and total of rental units in response to a previous Council motion. As a result, the project will contain 42 funded units, providing 52 bedrooms. Staff have determined that the eligible VHRF grant is now \$520,000 rather than \$600,000 in accordance with the funding structure of the VHRF guidelines that existed when the original grant was approved. The redesign of the project also resulted in a one-year construction delay and related financial impacts from additional design and permitting costs. Therefore, the applicant is requesting that Council consider maintaining the original grant amount rather than a reduced grant. However, staff have recommended a reduced grant in accordance with the Council approved VHRF guidelines and funding structure.

PURPOSE

The purpose of this report is to present Council with updated recommendations related to a previously-approved VHRF grant application for a below-market housing project at 210 Gorge Road East, proposed by the Victoria Cool Aid Society (VCAS).

BACKGROUND

On August 9, 2018, Council approved a Victoria Housing Reserve Fund grant application from the Victoria Cool Aid Society for \$600,000 to support the development of 50 affordable rental units, with a total of 60 bedrooms for low to moderate income residents at 210 Gorge Road East:

“That Council approve a Victoria Housing Fund grant to the Victoria Cool Aid Society in the amount of \$600,000 to assist in the construction of 50 non-market rental apartment units, with a total of 60 bedrooms for low-to-moderate income residents, located at 210 Gorge Road East, subject to the following conditions:

- 1. The grant will be disbursed to the applicant once the Housing Fund Grant Agreement is executed by the applicant and the Housing Agreement Bylaw has been adopted by Council.*
- 2. The Victoria Cool Aid Society enters into a Housing Fund Grant Agreement with terms, to the satisfaction of the Director of Sustainable Planning and Community Development; and in a form to the satisfaction of the City Solicitor, which include requirements that:*
 - a. the Victoria Cool Aid Society will identify the City of Victoria as a contributor on publications, documents, and public events related to the development, completion and operation of the project;*
 - b. upon project completion, Victoria Cool Aid Society will submit a final report to the Sustainable Planning and Community Development Department; and*
 - c. the grant is to be repaid by the Victoria Cool Aid Society if the project does not proceed as proposed*
- 3. The Victoria Cool Aid Society enters into a Housing Agreement securing the housing units at affordable rental levels for low-to-moderate incomes in perpetuity, consistent with the Victoria Housing Fund Guidelines, and with terms to the satisfaction of the Director of Sustainable Planning and Community Development, and in a form satisfactory to the City Solicitor, and that Council:*
 - a. direct staff to bring forward a Housing Agreement Bylaw for Council's consideration after condition No. 3 is fulfilled; and*
 - b. that Council authorize the Mayor and City Clerk to execute the Housing Fund Grant Agreement.”*

On June 27, 2019, Council approved a rezoning application and development permit with variances for the project. The approval process included a redesign of the project to better align with the Burnside Neighbourhood Plan as directed through a Council motion on October 4, 2018. Key design changes included a lowering of the building height from six storeys to five storeys and a reduction in overall dwelling units from 82 to 72. Council also approved a related Housing Agreement on June 27, 2019 that secures the 72 units as rental in perpetuity including the related levels of affordability. There are no proposed changes to the Housing Agreement associated with the rezoning application.

ISSUES AND ANALYSIS

Reduced Eligibility for VHRF Grant

In accordance with the approved rezoning application and development permit with variances, the applicant had to eliminate 10 units from the original proposal including eight studio units that

were previously eligible for a VHRF grant of \$10,000 per unit and two supportive studios that were not subject to the grant. As a result, staff have determined that the overall eligible grant amount is now \$520,000 rather than \$600,000 as outlined in the table below.

Unit Type	Income Type	Original Unit Count	Approved Unit Count	Original VHRF Grant	Revised VHRF Grant Eligibility
Studio (Supportive)	Shelter Rate	32	30	No Grant Requested	N/A
Studio	Low	10	8	\$100,000	\$80,000
Studio	Moderate	20	14	\$200,000	\$140,000
One Bedroom	Moderate	10	10	\$100,000	\$100,000
Two Bedroom	Moderate	10	10	\$200,000	\$200,000
Total		82	72	\$600,000	\$520,000

Reduction in Bedrooms

The original motion to approve the VHRF grant was predicated on providing funding for 50 non-market rental apartment units, with a total of 60 bedrooms for low to moderate income residents. However, the current project will have 42 funded units with a total of 52 bedrooms. Therefore, the project does not conform with the original approved terms. This means that Council has the option to consider reducing the grant from \$600,000 to \$520,000 to fund 42 units with a total of 52 bedrooms. The calculation of the revised grant amount has been undertaken using the VHRF guidelines that existed when the original grant was approved.

Financial Impacts to Project

The applicant has provided a letter (Attachment 1) requesting that Council consider retaining the original approved grant amount of \$600,000 although the project is providing less eligible units. The applicant has identified that although 10 units were eliminated from the project, they have taken additional efforts to maintain the same level of one and two-bedroom units for couples and small families. In addition, the applicant has continued to prioritize the retention of supportive units to balance the needs of the various funding programs and supports including those from BC Housing. However, these changes will result in a greater loss of operating revenue that would otherwise have been generated through the other low- and moderate-income units that were eliminated.

The reduction in building size also resulted in additional costs associated with architectural re-design, consultant fees and application fees. The construction of the project was also delayed by one year, which has had a negative impact on construction and labour costs. At the same time, the applicant has made efforts to retain affordable rents that comply with the approved Housing Agreement. Therefore, the applicant is seeking the ability to offset the financial impacts through the retention of the original grant amount.

Capacity of the Victoria Housing Reserve Fund

The VHRF has a current unallocated balance of \$2,582,942 that includes the original \$600,000 grant for 210 Gorge Road East. Therefore, the VHRF has sufficient funding to retain the current

grant, or if Council approves a reduced grant, the VHRF would have an increased unallocated balance of \$2,662,942 to support other affordable housing projects that may be received through the September 30, 2020 intake process.

OPTIONS AND IMPACTS

Option 1 – Approve a Reduced Grant Amount (Recommended)

Approval of a reduced VHRF grant of \$520,000 will continue to support the Victoria Cool Aid Society's proposal to construct a project that will supply much-needed affordable and supportive housing for individuals, couples and small families with a range of income types. A reduced grant amount maintains consistency with the funding structure outlined in the Council approved VHRF guidelines that existed when the original grant was approved.

Option 2 – Maintain the Original Grant

In recognition of the design changes that were approved by Council and the additional financial impacts incurred by the applicant, Council has the option to retain the original grant of \$600,000. Retaining the original grant amount would result in the project being overfunded by \$80,000 based on the funding structure outlined in the original VHRF guidelines as well as the conditions of the original Council approved motion.

Accessibility Impact Statement

Council's consideration of a revised VHRF grant does not have any accessibility impacts. However, the project will continue to provide 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

A revised grant to the Victoria Cool Aid Society in the amount of \$520,000 will result in the VHRF having an overall unallocated balance of \$2,662,942, which is comprised of \$705,000 available for seniors' housing and \$1,957,942 for all other applications.

Official Community Plan Consistency Statement

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

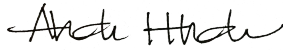
CONCLUSIONS

Approval of a reduced Victoria Housing Reserve Fund grant to the Victoria Cool Aid Society will continue to support the development of a 72-unit affordable housing project at 210 Gorge Road East.

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: October 1, 2020

List of Attachments

- Attachment 1: Letter from Victoria Cool Aid Society.