



Committee of the Whole Report

For the Meeting of January 21, 2021

To: Committee of the Whole **Date:** January 7, 2021

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

Subject: **Victoria Housing Reserve Fund Application for 736 Princess Avenue**

RECOMMENDATIONS

That Council approve a grant from the Victoria Housing Reserve Fund to the John Howard Society of Victoria in the amount of \$280,000 to assist in the construction of a 28-unit affordable housing project at 736 Princess Avenue, 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. \$140,000 shall be payable to the applicant upon execution of the Housing Fund Grant Agreement and the remaining balance of \$140,000 shall be payable to the applicant once the City has issued all required occupancy permits for the project; and
4. 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.

EXECUTIVE SUMMARY

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 John Howard Society of Victoria. The applicant is seeking \$280,000 to assist in the construction of a new mixed-use building that will provide 28 affordable rental units at 736 Princess Avenue. The development will provide supportive housing for individuals transitioning into the community from correctional facilities that are at risk of homelessness.

On October 22, 2020 Council approved the rezoning application, development permit with variances and related housing agreement that secures the units as rental for 60 years along with the levels of affordability. The 28 studio units will have monthly rental rates for tenants with very low (deep subsidy) incomes. The current grant application complies with the VHRF Guidelines. The new building is proposed to be constructed on a vacant parcel that is currently used as a surface parking lot, therefore the *Tenant Assistance Policy* does not apply.

The VHRF has a current unallocated net balance of \$2,995,442 including \$705,000 allocated for affordable housing for seniors. In addition to this VHRF grant application, the City received one other application as part of the VHRF intake process on September 30, 2020 that is seeking an \$850,000 grant, dependent on the outcomes of a rezoning application that is currently in progress. Therefore, approval of the \$280,000 grant outlined in this report will result in a net balance of 2,715,442 (excluding 2021 Financial Plan contribution). 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 (Attachment 1) from the John Howard Society of Victoria, to assist in the construction of an affordable housing project at 736 Princess Avenue (Attachment 2)

BACKGROUND

A rezoning application, development permit with variances, and a related housing agreement were approved by Council on October 22, 2020 to support the construction of a six-storey, mixed-use building at 736 Princess Avenue. The development will include 28 units of affordable rental housing on the upper floors. These units will provide supportive housing for individuals transitioning into the community from correctional facilities and that are at risk of homelessness.

The multi-purpose building will include a ground floor coffee shop/art gallery that would operate as a social enterprise and provide an opportunity for the Society to implement their employment readiness program and allow local artists to showcase and sell their art. The second and third floors would be comprised of employment training space, a demonstration and teaching kitchen, support services and offices, and the fourth to sixth floors will contain the dwelling units.

ISSUES AND ANALYSIS

The application is consistent with the VHRF Guidelines as outlined below and is a secure investment for the City that will lead to the construction of 28 housing units for individuals with very low (deep subsidy) incomes.

Affordability Requirements

Providing affordable housing for individuals who are experiencing homelessness or are at risk is a key priority of the VHRF guidelines. The development at 736 Princess Avenue will achieve this objective by providing 28 affordable rental units for tenants with very low (deep subsidy) incomes. The John Howard Society of Victoria will own and operate the units and is seeking funding to offset capital and mortgage debt borrowing costs.

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 (Supportive Housing units)	28	Very Low (Deep Subsidy)	< \$19,999	\$375	\$10,000/unit	\$280,000

Leveraging Additional Funding

The applicant received a \$37,000 CMHC Seed Funding grant to support initial project planning work and is now in the process of seeking an additional \$2.6 million in capital and operating grants through the BC Housing Community Housing Fund (\$2,100,000) and CMHC National Co-Investment Fund (\$500,000). These types of grants from BC Housing and CMHC are generally predicated on supporting projects that can secure additional funding partnerships such as those with the City of Victoria. The applicant is also contributing \$750,000 of their own funds to offset the capital project costs.

The proposed City of Victoria VHRF grant of \$280,000 represents approximately 3.2% of the total construction cost (\$8,559,360) and 10.6% of all grants and contributions (\$2,637,000) 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 proposed project aligns with several objectives of the VHRF program as it will provide affordable housing for individuals with very low incomes, is located within Victoria, provides housing for those at risk of homelessness, receives no other supports from the City of Victoria, will serve persons with disabilities, and provides affordability for a period of 60 years.

Legal Agreements

A housing agreement for the project was approved by Council on October 22, 2020. The agreement secures the provision of 28 units of supportive rental housing for individuals with very low incomes for a period of 60 years. Staff have determined that the existing agreement will serve to fulfil the requirements of the VHRF guidelines. The existing agreement also allows the Director of Planning to request the applicant to submit a progress report at any time during the term of the agreement outlining how the project is achieving the affordability targets that applies to the 28 units.

If Council approves the grant request, the applicant has made a commitment to enter into a Housing Fund Grant Agreement with the City of Victoria to secure conditions of the grant as outlined in the VHRF Guidelines.

Tenant Assistance

The new building is proposed to be constructed on a vacant parcel that is currently used as a surface parking lot. Therefore, the *Tenant Assistance Policy* does not apply.

Capacity of the Victoria Housing Fund

The VHRF has a current unallocated balance of \$2,995,442 and is anticipated to be supplemented with a \$650,000 annual contribution later this year, upon approval of the 2021 Financial Plan. The City currently has two grant applications from the September 2020 VHRF intake process that are seeking a combined grant amount of \$1,130,000 (\$280,000 + \$850,000). Therefore, if both VHRF grants are approved in full the VHRF will have a remaining unallocated balance of approximately \$2,515,442 that will be available for future applications.

OPTIONS AND IMPACTS

Option 1 - Approve the Grant Request (Recommended)

Approval of a \$280,000 grant request will allow the applicant to provide 28 affordable housing units, supporting individuals with very low incomes. This project meets many of the VHRF priorities, including housing for individuals who are at risk of homelessness, located within Victoria and providing affordability for a period of 60 years. The current, unallocated VHRF balance can support this project as well as future applications.

Option 2 - Decline the Grant Request

This option is not recommended as it may affect the applicant's ability to secure additional project funding through BC Housing and CMHC programs, which 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 *British Columbia Building Code* regulates accessibility as it pertains to buildings. The applicant is proposing five accessible dwelling units, which would be designed in accordance with CSA B651-12 Accessible Design for the Built Environment, which exceeds the accessibility requirements of the *British Columbia Building Code*. All common areas in and around the building will be universally accessible, including the program areas and the social enterprise space on the ground floor.

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 \$280,000 grant to the John Howard Society of Victoria will not affect the Financial Plan, as the current VHRF (unallocated) balance of \$2,995,442 is sufficient to fund this application as well as another application that the City received through the September 2020 VHRF intake process.

Approval of this grant application will reduce the VHRF balance to \$2,715,442 (excluding 2021 contribution), which would be comprised of \$705,000 dedicated for affordable senior housing and \$2,010,442 for other affordable housing projects.

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

This grant application from the John Howard Society of Victoria is well aligned with VHRF priorities and would lead to the construction of a mixed-use building with affordable rental units for individuals with very low incomes.

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.

List of Attachments

- Attachment 1: Application to the Victoria Housing Reserve Fund (736 Princess Avenue)
- Attachment 2: Aerial Map – 736 Princess Avenue.