



Committee of the Whole Report

For the Meeting of February 25, 2021

To: Committee of the Whole **Date:** February 4, 2021

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. Revise the Victoria Housing Reserve Fund (VHRF) grant approved April 2, 2020 to the Capital Region Housing Corporation for the Michigan Square project located at 330-336 Michigan Street from \$1,020,000 to \$620,000 to reflect the applicant's request to no longer seek funding for moderate income units and the total number of one bedroom very low income units being increased from 12 to 16 units;
2. Authorize \$310,000 to be payable to the applicant upon execution of the Housing Fund Grant Agreement and legal agreements securing the (VHRF-funded) affordable units and bedroom unit sizes in a form to the satisfaction of the City Solicitor, with the remaining balance of \$310,000 to be payable to the applicant once the City has issued all required occupancy permits for the project; and
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.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with updated recommendations related to a Victoria Housing Reserve Fund (VHRF) grant application. On April 2, 2020, Council approved a grant in the amount of \$1,020,000 to support the construction of a 97-unit housing development at 330-336 Michigan Street by the Capital Region Housing Corporation (CRHC).

Following approval of the grant, the applicant identified that the income threshold for moderate income units as described in the VHRF guidelines is significantly lower than the moderate income threshold established by BC Housing. Therefore, to avoid a potential conflict between the applicant's separate legal agreements with the City and with BC Housing, the applicant has requested to not seek a VHRF grant for the moderate income units. As a result, the applicant has made minor adjustments to the overall unit composition to better support the project's economic viability. This includes increasing the total number of one bedroom (very low income) units from 12 to 16 and reducing the total number of one bedroom (moderate income) units from 12 to 8.

These changes have resulted in an eligible (reduced) grant amount of \$620,000. The overall project continues to align with the VHRF and will continue to deliver 97 units of affordable rental housing for individuals and families with a variety of income types.

The VHRF has a current unallocated net balance of \$3,395,442 including \$705,000 allocated for affordable housing for seniors. The City also has one remaining VHRF grant application that was received through the last intake process on September 30, 2020 that is seeking an \$850,000 grant, dependent on the outcome of a Rezoning application that is currently in progress. Therefore, approval of a reduced \$620,000 grant outlined in this report will increase the unallocated balance of the VHRF to \$3,795,442.

PURPOSE

The purpose of this report is to present Council with information, analysis and 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

On April 2, 2020, Council considered a revised Victoria Housing Reserve Fund grant application from the Capital Region Housing Corporation, seeking Council approval to reduce a previously approved grant of \$1,395,000 to \$1,020,000. This was based on the provision of fewer units, revised income targets and the increased provision of three-bedroom moderate income units approved in a related Development Permit with Variance application. As a result, Council approved the following motion:

“That Council:

1. Revise the Victoria Housing Reserve Fund (VHRF) grant, approved on February 27, 2020, to the Capital Region Housing Corporation for the Michigan Square project located at 330-336 Michigan Street from \$990,000 to \$1,020,000 to reflect a shift from market to moderate (affordable) income rent for two of the eight proposed 3-bedroom units.
2. Issue the VHRF grant funding subject to the applicant executing a Housing Grant Agreement and a Housing Agreement to the satisfaction of the City Solicitor and Director of Sustainable Planning and Community Development to secure the provision of the affordable units pursuant to the VHRF Guidelines as of March 21, 2019 on terms consistent with BC Housing’s operating funding:
 - a. 7 studio units for very low income level;
 - b. 12 one-bedroom units for very low income level;
 - c. 1 two-bedroom unit for very low income level;
 - d. 9 one-bedroom units for low income level;
 - e. 11 two-bedroom units for low income level;
 - f. 2 three-bedroom units for low income level;
 - g. 12 one-bedroom units for moderate income level;
 - h. 4 two-bedroom units for moderate income level;
 - i. 11 two-bedroom units for moderate income level;
 - j. 20 two-bedroom units for moderate income level; and
 - k. 2 three-bedroom units for moderate income level.”

On September 30, 2020 the applicant submitted a memo (Attachment 1) outlining that they do not wish to pursue VHRF grant funding for the moderate income units, and have requested that

the previously-approved grant be reduced from \$1,020,000 to \$620,000 to reflect the revised project. A subsequent Development Permit with Variances and a related Housing Agreement to secure all units as rental in perpetuity were approved by Council on October 22, 2020.

ISSUES AND ANALYSIS

Moderate Income Threshold

The previously-approved \$1,020,000 VHRF grant for Michigan Square was established using the VHRF guidelines dated January 2019 that were in place when the application was originally approved. This approval also required a variety of rental units for a range of income types to be provided, including 49 moderate income units. However, the previous definition of moderate income contained in the VHRF guidelines was based on a household income at or below the latest census data for the Victoria census metropolitan area which is \$70,283 based on the 2016 data. This income limit is lower than the moderate income threshold limit established by BC Housing, which is \$74,150 for studio and one bedroom units, and \$113,040 for units with two or more bedrooms. Therefore, since the applicant has entered into a legal agreement with BC Housing to provide specific levels of affordability as per BC Housing criteria, the applicant is not able to adhere to the City's definition of moderate income and has decided not to pursue a VHRF grant for the moderate-income units to avoid a conflict between definitions.

Revised Unit Composition and Affordability

As a result of no longer seeking a VHRF grant for the moderate income units and to maintain the project's economic viability, the applicant has increased the total number of one-bedroom (very low income) units from 12 to 16 and reduced the total number of one-bedroom (moderate income) units from 12 to 8. These changes continue to align with the VHRF guidelines and the related BC Housing Operating Agreement. The table below provides a comparison of the previously-approved unit composition and the current proposal.

Unit Type	Units Approved	Revised Units	Affordability Level	Monthly Rent	Grant Funding per Unit	Previous Approved Grant Amount	Revised Grant Amount
Studio	7	7	Very Low Income	\$375	\$10,000	\$70,000	\$70,000
One Bedroom	12	16	Very Low Income	\$375	\$10,000	\$120,000	\$160,000
	9	9	Low Income (RGI)	\$744	\$10,000	\$90,000	\$90,000
	12	8	Moderate Income	\$1,250	\$5,000	\$60,000	N/A
Two Bedroom	1	1	Very Low Income	\$570	\$20,000	\$20,000	\$20,000
	11	11	Low Income (RGI)	\$980	\$20,000	\$220,000	\$220,000
	4	4	Moderate Income	\$1,800	\$10,000	\$40,000	N/A
	11	11	Moderate Income	\$1,950	\$10,000	\$110,000	N/A

Unit Type	Units Approved	Revised Units	Affordability Level	Monthly Rent	Grant Funding per Unit	Previous Approved Grant Amount	Revised Grant Amount
Two bedroom <i>(continued)</i>	20	20	Moderate Income	\$2,000	\$10,000	\$200,000	N/A
Three Bedroom	2	2	Low Income (RGI)	\$1,321	\$30,000	\$60,000	\$ 60,000
	2	2	Moderate Income	\$2,000	\$15,000	\$30,000	N/A
	6	6	Market	\$2,480	Not Eligible	N/A	N/A
	97	97				\$1,020,000	\$620,000

Capacity of the Victoria Housing Reserve Fund

The VHRF has a current unallocated balance of \$3,395,442. If the reduced \$620,000 VHRF grant for 330-336 Michigan Street is approved, the VHRF unallocated balance would increase to \$3,795,442 to support future applications.

OPTIONS AND IMPACTS

Option 1 – Approve the Reduced Grant Request (Recommended)

Approval of a reduced VHRF grant of \$620,000 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 a range of incomes types.

Option 2 – Maintain the Previously-Approved Grant

This option is not recommended as the applicant has submitted a request to not seek a VHRF grant for the moderate income units and has confirmed that the project would remain economically viable. The proposed moderate income thresholds would also not align with the VHRF guidelines.

Accessibility Impact Statement

Council’s consideration of a revised VHRF grant does not have any accessibility impacts. The project will provide seven accessible units comprised of studio and one-bedroom 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 Capital Region Housing Corporation in the amount of \$620,000 will result in an additional \$400,000 being made available for future VHRF projects, resulting in an overall

unallocated balance of \$3,795,442 which is comprised of \$705,000 available for seniors' housing and \$3,090,442 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 revised Victoria Housing Reserve Fund grant for the Capital Region Housing will ensure the units at 330-336 Michigan Street are appropriately funded, that the project remains economically viable, and will release \$400,000 back to the VHRF for future applications.

Respectfully submitted,

Robert Batallas
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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: Capital Region Housing Corporation Memo re: 330 Michigan Street.