



Committee of the Whole Report

For the Meeting of November 25, 2021

To: Committee of the Whole **Date:** November 10, 2021

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

Subject: **Victoria Housing Reserve Fund Application for 1230 Grant Street, 1209, 1218, 1219, 1220 and 1226 North Park Street, 1219 Vining Street, 1235 Caledonia Avenue, and 1211 Gladstone Avenue**

RECOMMENDATIONS

That Council approve a grant from the Victoria Housing Reserve Fund to the Capital Regional Housing Corporation in the amount of \$500,000 to assist in the construction of a 158-unit affordable housing project at 1230 Grant Street, 1209, 1218, 1219, 1220 and 1226 North Park Street, 1219 Vining Street, 1235 Caledonia Avenue, and 1211 Gladstone 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. \$250,000 shall be payable to the applicant upon execution of the Housing Fund Grant Agreement and the remaining balance of \$250,000 shall be payable to the applicant once the City has issued all required occupancy permits for the project.
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) application from the Capital Regional Housing Corporation (CRHC). The applicant is seeking \$1,065,000 to support the redevelopment of an 8,660m² parcel that would result in 158 new affordable rental units in the heart of Fernwood.

On October 28, 2021, Council approved the rezoning application, development permit and terms for a housing agreement that would secure the proposed units as rental for a minimum of 60 years along with the various affordability levels. The proposal envisions two apartment buildings and three attached townhouse buildings with 109 of the 158 homes aligning with the VHRF funding guidelines for people with low and very low incomes.

The VHRF has a current unallocated net balance of \$4,643,296 with no other grant applications for the September 30, 2021 intake. Therefore, approval of the \$1,065,000 grant requested by the applicant would result in a balance of \$3,578,296. If approved, the grant would also be subject to a Housing Fund Grant Agreement.

The VHRF guidelines set the maximum grant at \$500,000 per application, requiring Council to waive the guidelines for any grant exceeding this amount. Based on the number of deeply affordable units being provided on-site, a grant of \$500,000 would cover only 47 per cent of what the project would be eligible for based on the per unit funding levels in the guidelines. The applicant has requested Council waive the maximum grant amount due to cost escalations associated with the pandemic and the urgent community need for affordable housing. Consistent with the guidelines, staff recommend Council approve a \$500,000 grant; however, as there were no other applications received for this intake and the application supports many of the program priorities, an alternate recommendation is provided for Council consideration.

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 Capital Regional Housing Corporation, to support the construction of an affordable housing project at 1230 Grant Street, 1209, 1218, 1219, 1220 and 1226 North Park Street, 1219 Vining Street, 1235 Caledonia Avenue, and 1211 Gladstone Avenue (Attachment 2).

BACKGROUND

A rezoning application, development permit, and housing agreement were approved by Council at a Public Hearing on October 28, 2021, for the development of a 158-unit mixed-income affordable housing project on the lands between Caledonia Avenue and Grant Street adjacent to Victoria High School (Attachment 2). The applicant is proposing to construct two apartment buildings and three townhouse structures above an underground parkade that will provide 112 vehicle spaces and 194 long-term bicycle spaces. The applicant has applied for BC Housing funding under the Community Housing Fund to provide funding for 31 units of rental housing for people with very low incomes, 78 units for people with low incomes and 49 units at below market rents for people with moderate incomes.

The assembled parcel is the result of a partnership between the CRHC, BC Housing, School District No. 61, and the City of Victoria. To integrate the development with the local neighbourhood, the applicant has also built partnerships with Fernwood Neighbourhood Resource Group to operate the proposed 1,450 sq. ft. amenity space and deliver family and recreation programming. The project also includes a possible partnership with the Independent Living Society to operate the 15 proposed accessible units. Overall, this project would deliver much needed affordable housing near a major high school and provide valuable amenities that would benefit the local community.

ISSUES AND ANALYSIS

The application is consistent with the VHRF Guidelines and is the outcome of a land partnership between CRHC, BC Housing, City of Victoria, and the School District. The applicant has applied for funding for the 109 units that align with the VHRF Guidelines for individuals with very low-incomes and low-incomes. The other 49 units would be rented at below-market rates. The parcels proposed for redevelopment are currently owned by the School District and the City of Victoria and therefore are exempt from City of Victoria property taxes.

A portion of the site fronting Gladstone Avenue has 18 vacant CRHC townhouse units. These units will be demolished to form the larger redevelopment site. The applicant indicated that a building envelope condition assessment was completed in 2017 prior to determining if the site should be redeveloped. The assessment report indicated the townhouses were in poor condition due to water damage issues. Also, the report recommended replacement of all wood siding with a new rain screen wall assembly, full replacement of all windows, sliding glass doors, shingles, skylights, roof decks and balconies within two to three years. The results of the assessment highlight the challenges with maintaining aging buildings and provide insight as to the applicant's motivation to demolish the 18 units to pursue the redevelopment to create 140 net-new units.

Based on the size and condition of the consolidated parcel, the applicant is required to complete various off-site transportation works including roadway improvements and an 8m greenway that will run along the east side of the site linking Grant Street and Gladstone Avenue. These off-site works will benefit the broader community but are financially challenging for the applicant to absorb. The increased costs will require a larger mortgage for the project, translating to higher rents or higher operating subsidies to deliver the deep affordability. These additional costs are significant and could be offset by the VHRF grant.

The applicant indicated that rising costs due to the pandemic have challenged the financial viability of the project. Specifically, supply chain disruptions associated with COVID-19 resulted in higher materials costs for the project. Based on these unforeseen cost escalations the applicant has requested that Council waive the maximum grant of \$500,000, allowing the project to receive the full amount it would be eligible for (\$1,065,000) under the VHRF per unit funding levels.

Affordability Requirements

The applicant is proposing to deliver deeply affordable housing for people with low and very-low incomes. As shown in the table below the project proposes 109 units that meet VHRF guidelines under the BC Housing Affordability levels. Specifically, the applicant is applying for a grant to support 31 deep subsidy units for people with very low-incomes and 78 rent geared to income (RGI) units that align with the City's targets for people with low-incomes. The remaining 49 below-market units will be rented at below-market rates that are not eligible for a grant.

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
VERY LOW-INCOME UNITS / DEEP SUBSIDY UNITS						
Studio	14	Very Low (Deep Subsidy)	< \$19,999	\$375	\$7,500/unit	\$105,000
1-Bedroom	11	Very Low (Deep Subsidy)	< \$19,999	\$375	\$10,000/unit	\$110,000
2-Bedroom	5	Very Low (Deep Subsidy)	< \$19,999	\$570	\$15,000/unit	\$75,000

3-Bedroom	1	Very Low (Deep Subsidy)	< \$19,999	\$660	\$20,000/unit	\$20,000
LOW-INCOME UNITS / RENT GEARED TO INCOME (RGI) UNITS						
1-Bedroom	26	Low (RGI)	\$20,000 to \$34,999	\$744	\$7,500/unit	\$195,000
2-bedroom	44	Low (RGI)	\$20,000 to \$34,999	\$980	\$10,000/unit	\$440,000
3-Bedroom	4	Low (RGI)	\$20,000 to \$34,999	\$1,321	\$15,000/unit	\$60,000
4-Bedroom	4	Low (RGI)	\$20,000 to \$34,999	\$1,479	\$15,000/unit	\$60,000
Total	109	Serving Low to Very Low Incomes			Total Per Unit Grant Allocation \$1,065,000¹	

Leveraging Additional Funding

In addition to working with partners to secure the land, the CRHC has applied to BC Housing under the Community Housing Fund. The applicant applied for a capital grant of \$18.5 million and annual operating subsidy of roughly \$900,000. This translates to an average monthly operating subsidy of roughly \$700 for the 109 Deep Subsidy and RGI units proposed for the project. The CRHC has also committed \$1,000,000 of their own funds to the project to reduce borrowing costs.

The CRHC will own and operate the units and is applying for grant funding to offset capital and mortgage debt borrowing costs. BC Housing looks favourably at applications where funding partnerships with local government partners are in place. The VHRF grant would be valuable in reducing borrowing costs for the project and assist the applicant to deliver deep affordability on-site, but ultimately this funding is complementary to BC Housing funding.

Project Priorities

The proposed project aligns with many of the objectives of the VHRF program, providing affordable housing for the following groups:

- Accessible units for people with disabilities (15 units are proposed)
- Family-friendly (99 units are 2, 3 or 4-bedroom units)
- Working singles and seniors
- Women with children

The project would create a new mixed-income community serving a range of incomes in a walkable area nearby urban villages, parks, and schools. Also, the redevelopment proposes 22 larger three-bedroom and four-bedroom family-friendly units adjacent to a major high school. With a range of unit types, future tenants would be able to move between different housing options as their life situation changes. Lastly, the project would provide housing for people at a high risk of homelessness.

¹ Funding for eligible projects under the Victoria Housing Reserve Fund Guidelines is allocated on a per unit basis, up to a maximum of \$500,000 per project unless otherwise approved by Council.

Legal Agreements

On May 14, 2020, Council directed staff to prepare legal agreements to ensure all residential rental units remain affordable or below market for 60 years in accordance with the City's definition of affordability and below market. A housing agreement was subsequently adopted on October 28, 2021, as a condition of the rezoning and staff have confirmed it satisfies the requirements of the VHRF. In addition, a covenant was registered on title to secure 14 three-bedroom units and 8 four-bedroom units. If Council approves the grant request, the applicant will also be required to enter into a Housing Fund Grant Agreement with the City of Victoria to secure conditions of the grant.

Tenant Assistance

The 18 townhouse units on the site will be removed prior to the redevelopment. The units are vacant with all tenant groups rehoused by CRHC. The applicant submitted a tenant assistance plan in September 2019 indicating all impacted tenants will be given right of first refusal to move back after the redevelopment is complete.

Capacity of the Victoria Housing Fund

The VHRF has a current unallocated balance of roughly \$4,643,296 and is anticipated to be supplemented with an annual contribution of \$660,000 in 2022, upon approval of the Financial Plan. For the September 2021 VHRF intake there were no other applications received. If Council approves the applicant's request for a grant of \$1,065,000, the VHRF would have a remaining unallocated balance of approximately \$3,578,296 for 2021 or \$4,143,296 if the project receives a \$500,000 grant as per the VHRF guidelines. The fund is well positioned to accommodate the funding request at this time.

OPTIONS AND IMPACTS

Option 1 – Approve the Grant as per the Guidelines (Recommended)

Approval of a \$500,000 grant request would be consistent with the program guidelines. However, this amount would support less than 50 per cent of the deeply affordable units based on the per unit grant amounts in the VHRF guidelines. This project meets many of the program priorities, including housing for individuals who are at risk of homelessness and would provide deep affordability for a minimum of 60 years.

Option 2 – Waive the Guidelines and Approve \$1,065,000 Grant

A major reason for establishing the maximum grant amount was to ensure the program could distribute funds to multiple projects when more than one application is received. However, as there was only one grant application for the September 2021 intake Council may consider waving the maximum grant amount. Moreover, this project aligns with many program priorities with 109 of the 158 proposed units at deeply affordable rates in a location close to services, schools, and parks. The applicant has indicated that rising costs due to the pandemic have challenged the financial viability of the project. The requested grant would help offset these unforeseen costs and assist the applicant in delivering deep affordability.

Alternate Recommendation

That Council approve a grant from the Victoria Housing Reserve Fund to the Capital Regional Housing Corporation in the amount of \$1,065,000 to assist in the construction of a 158-unit affordable housing project at 1230 Grant Street, 1209, 1218, 1219, 1220 and 1226 North Park Street, 1219 Vining Street, 1235 Caledonia Avenue, and 1211 Gladstone 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. \$532,500 shall be payable to the applicant upon execution of the Housing Fund Grant Agreement and the remaining balance of \$532,500 shall be payable to the applicant once the City has issued all required occupancy permits for the project.
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.

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 15 accessible dwelling units, which would be designed in accordance with CSA B651-12 the National Standard of Canada for barrier free design, which exceeds the accessibility requirements of the *British Columbia Building Code*.

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 \$500,000 or \$1,065,000 grant to the Capital Regional Housing Corporation will not affect the Financial Plan, as the current VHRF (unallocated) balance of \$4,643,296 is sufficient to fund this application.

Official Community Plan Consistency Statement

This project supports Official Community Plan policies related to working with the Capital Regional District and other partners to increase affordable housing supply. Also, the project supports OCP policies related to locating non-market housing near to Village Centres to ensure easy access to services and facilities necessary for daily living.

CONCLUSIONS

This grant application from the CRHC is well aligned with VHRF priorities and would support the construction of a significant and vital mixed-income affordable rental project that address the acute need for affordable rental housing in Victoria.

Respectfully submitted,

Ross Soward
Senior Planner – Housing Development
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
- Attachment 2: Aerial Map
- Attachment 3: CRHC Board Vice-chair letter of support.