

November 30, 2021

File: Caledonia VHRF Application

City of Victoria Mayor & Council  
1 Centennial Square Victoria, BC V8W 1P6

Dear Mayor & Council:

**RE: Caledonia Victoria Housing Reserve Fund Grant Request**

The Capital Region Housing Corporation (CRHC) received Council approval on October 28, 2021 to proceed with the Rezoning, OCP Amendment and Development Permit that will enable the construction of 158 new affordable rental housing units in the heart of Fernwood.

The Caledonia development has received preliminary project approval from BC Housing with a preliminary construction budget of \$64.4M. When the project was first conceived in 2019, the estimate to construct 154 units was \$58.3M. Accompanying the DP/RZ submission in September 2019 was an application to the VHRF program that identified the project was eligible for \$1.225M in grant funding.

The CRHC has been prudent in developing project cost estimates and proceeding with the required pre-development consultant work necessary to advance a successful development permit and rezoning application in the City of Victoria. Despite CRHC being a non-profit, affordable housing provider that is publicly funded, the CRHC is required to expend funds to advance projects in the City of Victoria in the same manner that a private landowner/developer. However, CRHC's housing model does not result in passing these costs onto future home owners through the sale of units. Instead, funds to construct and operate rental units in the region are only recouped through application and compliance with municipal, provincial and federal grant programs and through tenant rents. As project costs continue to escalate and funds are limited and or restricted, the only avenue to cover costs is through increasing tenant rents.

The Caledonia project has been awarded primary grant funding through Homes BC: Community Housing Fund (CHF) in 2018. The program requires that 20% of units are rented at provincial income assistance/deep subsidy rates (\$375/month for 1 beds, \$570/month for 2 beds, etc) and that 50% of units are rents at Rent Geared to Income (RGI) levels. RGI units require the provider to evaluate tenant incomes annually and calculate monthly rents equal to 30% of gross household income.

The remaining 30% of units must be rented at below-market rents in alignment with the CHF program and the Housing Agreement that was required through the Rezoning process. A market study appraisal was commissioned by CRHC in February 2021 to determine the market rents in the Fernwood area, which indicated rents varied between \$1500 and \$3500 per month dependent on unit size.

At the November 25<sup>th</sup> 2021 Committee of the Whole meeting, Council requested clarification on what impact the decrease in grant funding would have to the Caledonia project and what the funds would be used for. While the program does not request this information, the CRHC is happy to provide this information in a clear and transparent manner.

### **Impacts on Tenant Rents**

Tenant rents for 70% of the units are fixed and therefore any additional project costs must be carried by the remaining 30% of units to cover debt servicing and operating costs.

The following table identifies the amount that tenant rents will be increased should Council determine the project should not receive the full eligible grant funding under the VHRF grant program. The impact to monthly affordable rents varies between \$300 and \$400 per month.

Unit Size	Monthly Rents (VHRF @ \$1.065M)	Monthly Rents (VHRF @ \$500k)	Difference in Monthly Rents
1 Bedroom	\$1500	\$1900	\$400
2 Bedroom	\$1800	\$2100	\$300
3 Bedroom	\$2100	\$2500	\$300
4 Bedroom	\$2400	\$2700	\$300

*\* please note all rents are anticipated and are subject to change pending final project approval*

### **Use of VHRF Funds**

The VHRF program allows 50% of funds to be allocated to a project upon signing of a grant agreement, and the remaining 50% of funds at occupancy. Pre-development funds are quite limited amongst other programs, and as such, the infusion of \$532,500 towards the Caledonia project will fund the remaining consultant work to complete working drawings, obtain a Building Permit for the project and cover a portion of the \$590,000 in DCC contributions owing to the City.

### **Offsite Improvements**

Through the rezoning, CRHC is required to undertake significant off-site improvements and are guaranteed through covenant registered on title. A 400 metre long, 8 metre wide 'People Only Greenway' was requested to be completed by CRHC to connect pedestrians through the Victoria High School lands between Grant Street and Gladstone. This pathway is to be constructed of concrete and adorned by pedestrian scale lighting, benches and tree canopies.

Additional offsite works requested through the rezoning include the partial closure of North Park Street, extension of the Fernwood Community Gardens, widening of Vining Street to accommodate emergency vehicles, reconstruction of the adjacent affected garden, and boulevard enhancements on Gladstone and Grant Street. The total cost of all off-site improvements is estimated to be \$1M, which must be funded by the project and debt serviced by tenant rents.

In conclusion, the CRHC requests that Victoria City Council grant the CRHC a \$1,065,000 grant through the VHRF program to support the construction of the 158 affordable rental units that can be offered at an average rent of \$1200 and support the neighbourhood improvements requested through the rezoning process.

Should you have any further questions or require clarification on the above, I would be happy to discuss further.

Sincerely,



Kimberly Lemmon, MCIP, RPP  
Manager, Planning & Development  
Capital Regional District | Capital Region Housing Corporation

cc: Don Elliott, MUP, Senior Manager, Regional Housing

