



## Committee of the Whole Report For the Meeting of June 27, 2024

---

**To:** Committee of the Whole **Date:** June 12, 2024  
**From:** Karen Hoese, Director, Sustainable Planning and Community Development  
**Subject:** **Victoria Housing Reserve Fund Application - Capital Region Housing Corporation's (CRHC's) project at 1132 Johnson Street**

---

### RECOMMENDATIONS

That Council approve a grant from the Victoria Housing Reserve Fund to the Capital Region Housing Corporation (CRHC) in the amount of \$2,400,000 to assist in the construction of a 140-unit affordable rental apartment project at 1132 Johnson Street, 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. \$1,920,000 shall be payable to the applicant upon execution of the Housing Fund Grant Agreement and the remaining balance of \$480,000 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 Capital Region Housing Corporation (CRHC) submitted a grant application (Attachment 1) to the March 2024 intake of the Victoria Housing Reserve Fund (VHRF). The applicant is seeking \$2,400,000 to assist in the construction of two affordable rental buildings located at 1132 Johnson Street (Attachment 2). The application aligns with the Victoria Housing Reserve Fund (VHRF) Guidelines and would result in 140 units of new housing for individuals and families with very low, low and moderate incomes. The redevelopment project received a Delegated Development Permit in February 2024 and entered into a Housing Agreement in January 2024 securing the proposed units as rental for a minimum of 60 years including 30 of the units secured at shelter rates for those at the greatest risk of homelessness.

The application strongly aligns with the VHRF Guidelines and represents a valuable opportunity to leverage the Regional Housing First Program and Growing Community funds to increase the supply of non-market rental housing in Victoria. With anticipated support from the Federation of Canadian Municipalities' Sustainable Affordable Housing Fund, the project's ambitious energy efficiency goals will be achieved by aligning with BC Energy Step Code – Step 4 and Zero Carbon Step Code emissions targets and providing benefits for the building through reduced energy and greenhouse gas (GHG) emissions and improvements for tenant comfort and health.

While the VHRF does not set a cap on funding assistance, the request of \$2,400,000 is significantly higher than the VHRF per unit guidelines (\$732,500). The applicant indicated that project costs have increased dramatically due to factors such as higher equity contribution requirements for mortgage financing and construction cost escalations associated with inflation. The requested grant would help offset these financial barriers and support the viability of the project, resulting in the delivery of 140 new non-market rental housing units.

If approved, this grant will be subject to the execution of a Grant Agreement.

## **PURPOSE**

The purpose of this report is to present Council with information, analysis, and recommendations for a Victoria Housing Reserve Fund grant application from the Capital Region Housing Corporation to support the construction of a 140-unit affordable housing project at 1132 Johnson Street.

## **BACKGROUND**

The Victoria Housing Reserve Fund provides one-time capital grants to assist in the development and retention of affordable rental housing for households with very low, low, median or moderate incomes. Through this program, the City supports non-profit partners with financial assistance to improve the viability and/or affordability of non-market housing developments that help reduce the risk of homelessness and sustain community diversity.

CRHC submitted an application to the VHRF to support a 140-unit affordable rental housing project at 1132 Johnson Street, also known as "Village on the Green". CRHC is a non-profit affordable housing provider and the largest social housing provider in the capital region, operating approximately 2,000 units of affordable housing across 50 separate developments.

CRHC identified 1132 Johnson as a priority site to redevelop due to the age, condition, and low density of the existing buildings as well as the urban location with close proximity to amenities and transportation networks. Within CRHC's portfolio of assets in Victoria there are limited redevelopment opportunities, especially sites with the potential to significantly increase net new affordable housing units. This project would achieve 102 net new units.

The project received a Delegated Development Permit with Variances on February 22, 2024, through the Fast Track for Affordable Housing (previously named the Rapid Deployment of Affordable Housing) regulatory process. Council approved a housing agreement in January 2024 securing all 140 dwelling units as rental for a minimum of sixty years, including 30 of the dwelling units secured as deep subsidy units at shelter rates.

Although the application strongly aligns with the VHRF Guidelines, the funding request of \$2,400,000 is significantly higher than what the project would be eligible for under the per unit grant amount (\$732,500). However, the VHRF Guidelines specifies that, at Council's discretion, each application may be considered on a project-by-project basis.

The applicant is requesting funding, beyond the per unit guidelines, to help offset the project’s financial pressures and to assist the applicant in delivering affordable housing under challenging market conditions. CRHC, like other non-profit housing providers, is experiencing increasing financial challenges and barriers, putting the viability of projects at risk. The applicant indicated that despite the significant amount of equity secured, the project is facing a considerable equity gap due to interest rate escalations that are creating a high cost of borrowing, rising construction costs, increased building construction standards and financial challenges associated with delivering family-oriented two- and three-bedroom units.

**ISSUES AND ANALYSIS**

CRHC’s application to construct 140-units of affordable rental housing is consistent with project eligibility criteria and priorities established in the VHRF Guidelines, with the exception of the per unit grant funding request which is significantly above the guidelines. The project’s alignment with the VHRF Guidelines is provided below.

**Leveraging Additional Funding**

Financial leveraging and partnerships with other government funding or community agencies is a requirement of the VHRF Guidelines. In addition to owning the land, the CRHC has secured and is anticipating a significant amount of financial support (Table 1). Funding is primarily secured through the Regional Housing First Program (RHFP) and Regional Housing Trust Fund (RHTF), providing a combined total of \$13.95 million in Capital Funding for the project. The CRD allocated an additional \$4.2 million in financial support through the Province of B.C.’s Growing Communities Fund.

The project anticipates securing \$5 million in funding from the Federation of Canadian Municipalities’ Sustainable Affordable Housing (SAH) Fund, a fund that supports energy efficiency and reduced GHG emissions of existing and new housing projects.

The requested VHRF grant of \$2.4 million would reduce the current equity gap and support the project’s affordability and long-term viability.

**Table 1: Project Equity and Partnerships – Secured and Anticipated**

Regional Housing First Program (secured)	\$12,300,000
Regional Housing Trust Fund (secured)	\$1,650,000
Growing Communities Fund (secured)	\$4,200,000
CMHC Seed Funding (secured)	\$71,000
FCM - SAH Study Grant (anticipated)	\$175,000
FCM - SAH Capital Grant (anticipated)	\$5,000,000
<i>VHRF Grant (subject to application)</i>	<i>\$2,400,000</i>
<i>Equity Gap</i>	<i>\$3,200,000</i>
<b>TOTAL</b>	<b>\$28,996,000</b>

**Affordability Targets and Funding Assistance**

CRHC’s project uses a mixed income approach in order to provide affordable housing to a range of household types and incomes. In accordance with and supported by the Regional Housing First Program (RHFP), 30 units will be provided at the BC Housing Deep Subsidy (shelter) rate and will operate without any ongoing operation subsidies.

**Table 2: Unit Composition, Affordability and Funding Request**

Unit Type	Number of Units	Proposed Monthly Rent	Target Income Group (BC Housing Target)	VHRF Contribution (based on per unit guidelines)	VHRF Contribution (requested by CRHC)
Studio	30	\$375	Very Low (Deep Subsidy)	\$225,000	\$900,000
	10	\$775	Median (Housing Income Limits)	\$25,000	\$100,000
1-Bedroom	2	\$925	Median (Housing Income Limits)	\$10,000	\$30,000
	45	\$1,900	Moderate (Below Market)	\$157,500	\$450,000
2-Bedroom	28	\$2,350	Moderate (Below Market)	\$140,000	\$420,000
3-Bedroom	25	\$2,700	Moderate (Below Market)	\$250,000	\$500,000
<b>TOTAL</b>	<b>140</b>			<b>\$732,500</b>	<b>\$2,400,000</b>

**Project Priorities**

The project aligns with a range of project priorities in the VHRF Guidelines, including the following:

- 53 family housing units (two and three-bedroom units)
- 30 deep subsidy (i.e., shelter rate) units for very low-income individuals who are experiencing or at risk of experiencing homelessness. The tenant selection process for these units will prioritize Indigenous people experiencing homelessness, youth experiencing homelessness, and women fleeing violence
- 14 fully accessible units (one and two-bedroom units) and the remainder of the units will target CMHC universal design standards.

Additionally, the project aims to:

- target BC Energy Code - Step 4
- align with Zero Carbon Step Code emissions targets
- enhance active transportation amenities
- incorporate on-site amenities including an indoor common area / amenity lounge, private outdoor amenity courtyard, and children’s play area.

## **Legal Agreements**

Successful VHRF applicants are subject to a legal agreement to secure the provision of the funded affordable housing units as well as a Fund Grant Agreement to outline the conditions of the grant.

In January 2024, Council authorized Housing Agreement Bylaw (No. 24-003) for the proposed development securing all 140 dwelling units as rental for a minimum of sixty years, including 30 of the dwelling units secured as deep subsidy units. The housing agreement was a requirement of the Fast Track for Affordable Housing regulatory process and would align with the VHRF guidelines.

## **Tenant Assistance**

CRHC's property at 1132 Johnson Street is currently home to 38 families and individual. Projects that proceed through a delegated development permit are not required to provide a Tenant Assistance Plan; however, CRHC indicated that they are committed to re-house all existing tenants. CRHC specified that they have been working with existing tenants since 2022 to keep tenants informed as the redevelopment progresses. Available CRHC supports to tenants include the following:

- offering eligible and qualifying tenants right of first refusal to move back to the completed redevelopment
- offering tenants choice, and support in finding alternative housing within the CRHC portfolio or with another provider if necessary
- individualized Tenant Relocation Plans to meet the needs of each tenant.

## **Capacity of the Victoria Housing Fund**

The VHRF has a current unallocated balance of \$4,569,724. If Council approves the CRHC's request for a grant of \$2,400,000, which was the only application received for the March 2024 application intake, the remaining unallocated balance would be \$2,169,724. The fund can accommodate the funding request at this time with sufficient funds to support future applications.

## **OPTIONS AND IMPACTS**

### **Option 1 – Approve the Grant as per the Requested (Recommended)**

The VHRF Guidelines specifies that, at Council's discretion, each application may be considered on a project-by-project basis. Allocating the requested grant funding of \$2,400,000 will help reduce the project's equity gap and assist the applicant in delivering affordable rental housing. This recommendation considers the challenging financial conditions, urgent need for non-market affordable rental housing and recognizes there were no other VHRF applications submitted. Moreover, this project aligns with many VHRF Guideline priorities, provides 30 deeply affordable units operating without a subsidy from CMHC or BC Housing and offers affordability beyond the VHRF median income guidelines with 12 units offered at BC Housing's Housing Income Limits. Finally, VHRF is able to accommodate the funding request.

## **Option 2 – Approve the Grant as per the VHRF Guidelines**

According to the per unit grant allocation in the VHRF Guidelines, the applicant would be eligible for \$732,500 which would help support CRHC’s affordable housing redevelopment project. By approving the lesser grant amount more funding would be preserved for future VHRF funding intakes. However, the lower grant will make it more challenging for the project to fill its current equity gap given the various financial pressures facing the project.

### *Accessibility Impact Statement*

The applicant indicated the project will provide 10% of units as fully accessible, including eleven (11) one-bedroom and three (3) two-bedroom units. This exceeds the BC Housing Design Guidelines which requires 5% of the total units as wheelchair accessible. The remainder of the units will target CMHC universal design standards, that aims to design spaces that can be accessed, understood and used by all people regardless of their age or ability.

### *2023 - 2026 Strategic Plan*

Utilizing the VHRF funds for this development can help support strategic plan items, including:

- Enable more market and non-market housing and diversify housing types and distribution.
- Pursue partnerships with other governments and agencies to create more non-market housing and rental housing.

### *Impacts to Financial Plan*

Issuance of a \$2,400,000 grant to the Capital Region Housing Corporation will have no impact on the Financial Plan, as the current VHRF (unallocated) balance of \$4,569,724 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.

## **CONCLUSIONS**

The grant application from the CRHC is well aligned with VHRF priorities and would support the construction of a valuable mixed-income non-market housing project that addresses the critical need for affordable rental housing in Victoria. The project will achieve a wide range of community benefits that align with City’s strategic goals related to housing, climate action, and community well-being. Specific community benefits include ambitious energy efficiency and GHG reduction goals, commitment to providing accessible units, inclusion of deep subsidy (shelter-rate) units that will support those at greatest risk of homelessness and a focus on providing family friendly units.

Finally, the funding requested by CRHC will help alleviate the project’s financial pressures and is the only application submitted to the March 2024 intake of the VHRF.

Respectfully submitted,

Nadine Kawata  
Senior Planner – Housing Development  
Community Planning Division

Karen Hoese  
Director – Sustainable Planning & Community  
Development

**Report accepted and recommended by the City Manager.**

**List of Attachments**

- Attachment 1: CRHC Application to the Victoria Housing Reserve Fund
- Attachment 2: 1132 Johnson Street Aerial Map