

**Committee of the Whole Report**  
**For the Meeting of October 19, 2017**

If awarded, the grant will ensure that Pacifica Housing will be able to protect the housing stability of the Fairfield Hotel's highly vulnerable tenants, and will also enable the society to house future tenants who may now be homeless, or at risk of homelessness, in stable, supported, and affordable housing as existing residents are moved along the housing continuum. If the grant were denied, the society would either need to increase rents to support operating costs, rendering the housing unaffordable for many of its tenants; or alternatively would need to cease operations at the hotel, leaving the tenants vulnerable to building closure. For these reasons, staff recommend Council consider approving this grant request.

## **PURPOSE**

The purpose of this report is to present Council with information, analysis and recommendations for a Victoria Housing Reserve Fund grant application from Pacifica Housing for the Fairfield Hotel, an affordable housing project located at 1601-1609 Douglas Street.

## **BACKGROUND**

On June 15, 2017, Victoria City Council approved the implementation of a suite of changes to the Victoria Housing Reserve Fund (VHRF) that originated in the *Victoria Housing Strategy 2016-2025* (staff report appended in Attachment 1). A key change was to allow for flexibility in how the fund can be used. Previously, the grant was strictly designated for the capital support of new affordable housing projects. The program now acknowledges the importance of retaining existing affordable housing, and that funding may be needed in a wide range of instances in order to promote and support the development and retention of affordable housing in the City of Victoria. The application from Pacifica Housing for the Fairfield Hotel which is the subject of this report aligns with this new direction as the request for funding is to ensure the continued operation of a significant number of affordable housing units. Staff believe this application has particular merit as the housing units in question are some of the very few in the City designated for low to no income tenants who might otherwise be at risk of homelessness.

Pacifica Housing is a well-established non-profit housing society that has been in operation for over 30 years. The society currently houses over 1600 people across 36 affordable properties across Vancouver Island. On July 27, 2017, Pacifica Housing submitted an application for funding from the VHRF in the amount of \$250,000 as a one-time operating grant to secure safe and stable housing for a period of five years for 62 low or no income individuals currently residing in the Fairfield Hotel at 1601-1609 Douglas Street. The application was updated in September 2017 at the request of the City to extend the project's operation to ten years, resulting in an updated request of \$500,000.

The recently updated VHRF Guidelines (Attachment 2) permit consideration of grant applications for up to \$10,000 per residential unit of one or fewer bedrooms; the Fairfield Hotel consists of only bachelor units therefor qualifies for this amount. As of October 5, 2017, the balance of the VHRF is \$1,908,280; however, there is also \$112,000 in funding that is committed to a previously approved project (Cottage Grove); therefore, the resulting balance of \$1,796,280 is sufficient to provide the requested grant and will leave sufficient monies in the reserve to support forthcoming applications. The VHRF has no minimum threshold.

## ISSUES AND ANALYSIS

The Fairfield Hotel is a Single Room Occupancy (SRO) hotel that was recently purchased by Reliance/Porte Communities (under "1601 Douglas Holdings Ltd."), who then entered into a lease agreement with Pacifica Housing to operate the project in April 2017.

SROs are hotels that have been converted into living space and typically consist of a number of small rooms with shared bathrooms and cooking facilities that are rented at a rate close to, or at, the shelter allowance provided by BC Income Assistance (the current shelter allowance is \$375 per month). SROs are considered an important part of the affordable housing spectrum as they are often the first type of housing available and appropriate for those moving from homelessness to housing.

Currently the Fairfield Hotel houses 62 individuals who are earning no or very low incomes (the 'non-working poor'), a cohort with extremely limited housing choice in the City of Victoria, and who without this housing might otherwise be homeless. The building represents 30% of the total SRO housing stock in Victoria.

Some of the supports that Pacifica Housing provides at the Fairfield Hotel include regular maintenance and janitorial services including light housekeeping, and building management which is comprised of tenant services (including Residential Tenancy Branch administrative hearings), rent collection, security deposits, and accounting functions. Over half of the residents in the Fairfield Hotel are clients of Pacifica Housing's outreach services, or have established relationships with outreach staff. Additionally, Pacifica Housing also provides personal support to tenants on a case-by-case basis. The society's longstanding connection to these residents ensures staff are in an optimal position to assess the individual needs of the residents and assist each person with graduating onto the most fitting housing options and programs within their greater housing portfolio, if and when appropriate. This includes placing people in more independent housing or providing higher levels of personal support, depending on tenant need.

Staff have completed an eligibility evaluation of Pacifica Housing's VHRF application and conclude that the application meets the VHRF guidelines, and is a secure investment for the City which will lead to the protection of 62 housing units for low-no income individuals both now and over the next 10 years. The evaluation form also notes how the project aligns with other City objectives such as those outlined in the Official Community Plan. The project eligibility evaluation form is appended to this report in Attachment 6.

### **Affordability Requirements**

Rental rates at the Fairfield Hotel, which are targeted between \$400-\$500 per unit including all utilities, are set at a level that balances operational costs with a monthly rental rate achievable by individuals with no or low income. Several residents in the building are in receipt of income assistance. The BC income assistance rate is currently \$610 per month; or \$981 per month for persons with disabilities. Rental rates higher than this could preclude tenants on income assistance from affording this housing. These rental rates are 40-50% lower than the City's lowest affordable housing rent limits as set out in the Victoria Housing Reserve Fund Guidelines: the Housing Income Limit rent, which is the Fund's low income target, is currently \$800 per month for a bachelor unit. A 10-year operating budget has been provided by the applicant and is appended to this report in Attachment 7.

## **Leveraging Additional Funding**

This project does not qualify for funding under BC Housing's programs, nor is there federal money available for this type of retention project. Operations at the Fairfield Hotel are currently supported by the rents received; and so at present, the project is operating at a loss. For further details on project funding please see the operating budget enclosed in Pacifica Housing's application package (Attachment 3).

## **Legal Agreements**

The applicant has made a commitment to enter into a legal agreement with the City of Victoria if Council approves the grant request. The legal agreement (Housing Reserve Fund Grant Agreement) will secure the conditions of the grant, which includes a split dispersal schedule and the obligation to repay the grant should the project not be continued as presented by the applicant. The applicant is also required to provide a one-year progress report to the City of Victoria outlining how the project is achieving the affordability targets outlined in the VHRF Guidelines, as well as a final report outlining plans for tenant relocation upon project cessation.

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

As this application for the VHRF is for forward use (as an operating grant), rather than to fund start-up costs, the full funding amount is not presently required. It is recommended that if Council elects to approve this grant, that two separate dispersals of the requested \$500,000 be considered: \$250,000 now, and \$250,000 in five years for the second half of the lease term. This approach will serve two important functions. First, it will reduce the impact to the present funds available, allowing more projects in the application queue the potential to be funded and resulting in an overall increase of affordable housing units created or retained. Currently, there is \$1,796,280 available in the fund; however, there are two other projects that have recently submitted applications for funding. If the Fairfield Hotel were granted only the first \$250,000, the VHRF could accommodate all three projects with no additional input. The remaining \$250,000 could then be budgeted for year 2022 when the second half of the lease term begins.

Secondly, this approach has the benefit of providing additional security to the City of Victoria in the event that the project ceases operations before the second half of the lease term, or any of the terms of the agreement are not met to the satisfaction of the City. Should either of these scenarios occur, the City would have the opportunity to withhold the second instalment of the funding and reintroduce it to the greater fund for use in other projects. The City would specify in the Housing Agreement that the second dispersal of \$250,000 in five years' time would be contingent on the project continuing to meet the terms of the housing agreement in providing stable housing for its low-income tenants and form moving tenants along the housing continuum where appropriate.

## OPTIONS AND IMPACTS

### Option 1 - Approve the Grant Request (Recommended)

Approval of this grant request will allow Pacifica Housing to provide secure and supported housing for 62 of the City's most vulnerable low income tenants. It will also allow for movement of tenants along the housing continuum as the society moves existing residents into more appropriate housing, and in doing so, opening up stable housing spaces for homeless or at risk Victorians.

### Option 2 - Decline the Grant Request

Should the grant be declined, the society would either need to significantly increase the rental rates in order to be economically feasible, which would likely result in several residents no longer being able to afford to live in the building; or alternatively, resulting in the society ceasing operation in the building. Both of these scenarios significantly increase the risk of the Fairfield Hotel tenants becoming homeless, or being forced to move to instable or unsecured housing or shelters.

#### *Accessibility Impact Statement*

There are no impacts on accessibility associated with the recommendations contained in this report.

#### *2015 - 2018 Strategic Plan*

Providing grants to support the development of supportive and affordable rental housing aligns with and supports Council's strategic priority to Make Victoria More Affordable (Objective 6). Support for the development also aligns with Council's strategic priority to Facilitate Social Inclusion and Community Wellness (Objective 7).

#### *Impacts to Financial Plan*

Issuance of this grant will not affect this year's financial plan, as the current VHRF balance of \$1,796,280 is sufficient to fund this as well as the two other forthcoming requests for funding, should Council choose to approve these as well. Further, with the addition of the normal annual contribution of \$250,000 in 2018, there will remain sufficient funding to meet 2018 housing targets (the VHRF is now linked to housing targets identified in the Victoria Housing Strategy - see staff report on updates to the VHRF in Attachment 1). However as noted in the attached report, the annual contribution to the fund will need to increase to \$714,000 beginning in 2019 to continue to meet these targets, therefore staff will report back as part of the 2019 budget request with consideration for future annual contributions, which may include advisement on alternative income sources.

#### *Official Community Plan Consistency Statement*

This project supports OCP policies related to working with coordinated community and regional efforts to end homelessness and enable stable affordable housing with support services.

## CONCLUSIONS

The application for funding to the Fairfield Hotel presented in this report meets the updated VHRF guidelines in that the fund would lead to the retention of existing affordable housing units occupied by the City's most vulnerable population of very low or no income residents. The recommendations presented in this report also include conditions that allow for the provision of the grant to the applicant in a way that provides additional security for the City's financial investment.

Respectfully submitted,



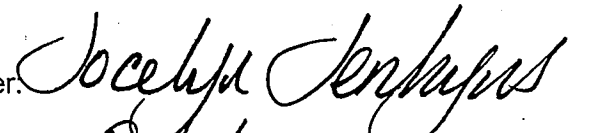
Lindsay Milburn, Senior Planner  
Housing Policy

Att.



Jonathan Tinney, Director  
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager.

  
Date: October 13, 2017

### List of Attachments:

- Attachment 1: June 15 Staff report: VHRF Updates
- Attachment 2: Updated VHRF Guidelines
- Attachment 3: Application to the Victoria Housing Reserve Fund
- Attachment 4: Completed VHRF Application Form
- Attachment 5: Letter to Mayor and Council
- Attachment 6: Project Eligibility Evaluation Form
- Attachment 7: Proposed 10 year operating budget