



**Committee of the Whole Report  
For the Meeting of November 24, 2016**

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**To:** Committee of the Whole **Date:** October 28, 2016  
**From:** Jonathan Tinney, Director, Sustainable Planning and Community Development  
**Subject:** Victoria Housing Reserve Fund Program Update

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**RECOMMENDATIONS**

1. That Council direct staff to update the Victoria Housing Reserve Fund Guidelines appended to this report in Attachment 1, based on the following changes:
  - a. an update to the grant structure by changing funding allocation for projects in the City of Victoria to a tiered model of:
    - i. \$10,000 per one bedroom or smaller affordable rental unit, and \$5,000 per one bedroom or smaller affordable home ownership unit;
    - ii. \$20,000 per two bedroom affordable rental unit, and \$10,000 per two bedroom affordable home ownership unit;
    - iii. \$30,000 per three+ bedroom affordable rental unit, and \$15,000 per three bedroom affordable home ownership unit;
  - b. a further update to the grant allocation for projects outside the City of Victoria but within the CRD to \$5000 per unit of any size, or an amount equivalent to host municipality contribution, whichever is smaller;
  - c. the inclusion of a new application package containing updated administrative documents for applicants, which are appended to this report in Attachments 2-4, as well as a process document for staff attached in Attachment 5;
  - d. the creation of a tracking mechanism to monitor statistics pertaining to projects funded through the Victoria Housing Reserve, and to report back on these statistics as a part of the Annual Housing Report;
  - e. the appending of the Final Report Template to the Victoria Housing Fund Grant Agreement, and amendment of the Grant Agreement to include language referencing the requirement of submitting the Final Report by the 'due-by' date.
2. That Council direct staff to:
  - a. undertake focused consultation with affordable housing providers and the development community to receive feedback on the proposed changes to the Victoria Housing Reserve Fund guidelines; and
  - b. report back to Council as part of the 2019 budget request with consideration for future annual contributions to the fund to meet family housing targets .

## EXECUTIVE SUMMARY

The purpose of this report is to present for Council's consideration a revision and update to the Victoria Housing Reserve Fund as directed in the *Victoria Housing Strategy 2016-2025*. The action identified in the Strategy is to review and update the Fund guidelines while considering fund allocations and limits, criteria to encourage family-oriented units, and evaluation of the fund for affordable housing projects outside of Victoria.

Staff conducted research on other municipal capital grant funding programs across Canada and the United States; as well, staff reviewed feedback from staff previously involved in grant applications and have reviewed the existing reserve fund guidelines, application forms and scoring sheets. Staff considered these findings alongside the direction of the action identified in the Housing Strategy, the needs of both the City and the program, and best practices in other jurisdictions.

Staff have concluded that the best way to satisfy the action identified in the Housing Strategy is to make the following changes to the program:

- remodel the funding structure to a tiered system to encourage family units and set clear guidelines on funding of projects outside the City of Victoria
- update the guidelines to outline changes to the funding structure and improve clarity around eligibility criteria, timelines, process, reporting, and timing of payments of grants (Attachment 1)
- create a new application package consisting of a new application checklist (Attachment 2) and an updated application form (Attachment 3)
- create a Final Report Template document to accompany the Housing Grant Agreement to establish a measurable reporting mechanism for the purposes of data collection and program improvement (Attachment 4)
- create a process document for staff (Attachment 5).

Staff propose items 1-3 above be posted on the City website and made easily accessible to all potential applicants. Staff also recommend that Council consider a communications strategy advising stakeholders and the public of these changes.

## PURPOSE

The purpose of this report is to provide information, analysis, and recommendations on an update to the Victoria Housing Reserve Fund guidelines as directed in the Victoria Housing Strategy.

## BACKGROUND

### The Victoria Housing Strategy

A key objective in Victoria's Strategic Plan, 2015 - 2018, is to Make Victoria More Affordable. The Mayor's Task Force on Housing Affordability was assembled to strategize how to activate that objective and the end result was the implementation of the Victoria Housing Strategy, 2016-2025, which was approved by Council on June 16, 2016.

The Housing Strategy contains three broad Strategic Directions to improve housing affordability:

1. **Increase Supply** of attainable housing for low to moderate income households
2. **Encourage Diversity** of housing types, tenures, and prices across the City and within neighbourhoods

### 3. Build Awareness and partnerships for affordable housing through communication, education and advocacy

This report provides recommendations on how to implement a supporting action of Strategic Direction 1, Increase Supply:

*Review and update the Victoria Housing Reserve Fund guidelines based on the following considerations:*

- a) Basis of fund allocations (per unit, per bedroom, etc.) and limits;*
- b) Criteria to encourage family-oriented units; and*
- c) Evaluation of the fund for affordable housing projects outside of Victoria*

#### **The Victoria Housing Reserve Fund**

The Victoria Housing Reserve Fund was created to provide capital funding to assist in the development of affordable housing for households with no, low, or moderate incomes to support community diversity and infrastructure, and to facilitate the development of affordable rental housing. Currently, eligible applicants must be a non-profit society or have a partnership with a non-profit organization that will own and operate the housing. Partnerships between non-profit societies and the private development industry are encouraged.

Current guidelines outline project eligibility, target income levels, amount of funding assistance (currently up to \$10,000 per unit), and application procedures.

The Victoria Housing Strategy identifies the review and update to the Victoria Housing Fund Guidelines while considering fund allocations and limits, criteria to encourage family-oriented units, and an evaluation of the fund for affordable housing projects outside of Victoria as a priority action for year 1.

#### **ISSUES & ANALYSIS**

##### **Municipal Capital Grant Comparison**

As a first step, and with a goal of updating the funding structure, staff scanned a selection of other municipal capital grants to assess whether there were any common applications or best practices amongst other jurisdictions that might fit the City's needs. This review was done through a lens of the considerations identified as priority items in the Victoria Housing Strategy (appropriate fund allocation – per bedroom vs. per unit, etc.; encouraging family-oriented units; and evaluation of the fund for affordable housing projects outside of Victoria).

Staff found that some municipalities provide capital grants similar to the Victoria Housing Reserve Fund, though more appear to provide alternate forms of support such as grants that are not unit based and are often offered through an RFP process. More common are other development incentives such as low or no interest financing, reduced land costs, tax incentives, and fee removal/reduction. As the examination of these types of incentives is a separate action of the Victoria Housing Strategy, staff focused this review on grant programs only.

Municipal capital grant programs across Canada include:

Vancouver: City of Vancouver Social Housing Grants (newly tiered): \$10,000 per one bedroom; \$20,000 per two bedroom; \$30,000 per three+ bedroom

- Regina: Various per unit incentives with a higher incentive for three+ bedrooms. Ranges from \$10,000 per unit for below market/affordable home ownership to \$25,000 for a below market/affordable three+ bedroom rental unit
- Saskatoon: New Rental Construction Land Cost Rebate Program – up to \$5,000 per capital unit; as well, eligible affordable housing projects can qualify for a cash grant of 10% of the total project costs
- Ottawa: RFP system of grants – 1+ calls per year. No per unit funding program.
- Edmonton: Capital Grant for Affordable Housing – no per unit cost specified.

In the United States there are federal and state funding programs, most notably Housing and Urban Development (HUD) grants that are administered by municipalities, as well as a number of other programs to incentivize the development of affordable housing. These may be worth exploring in more depth at a later date to see what best practices have been established.

### Grants for Projects Outside Funding Municipalities

In the review of comparable jurisdictions' funding programs, staff did not find any clear examples or policy statements around the provision of funds for projects in external or neighbouring municipalities. In fact, in more than one instance, the requirement that the project must be within the boundaries of the city issuing the grant is an eligibility criterion; however, given Victoria's membership in the Capital Regional District and its relationship with its neighbouring municipalities, as well as its close physical proximity to the rest of the CRD and the cross-boundary nature of working and living in this region, there are merits to funding projects to a limited extent outside of City boundaries. Staff have proposed a separate fee structure for these projects to improve transparency on this matter while still prioritizing projects within this City's boundaries.

### OPTIONS & IMPACTS

With an aim to encourage the development of more family units and to fairly fund projects outside the City of Victoria, while still prioritizing those within the City proper, staff recommend that Council consider remodeling Victoria's Housing Reserve Fund grant structure after Vancouver and other municipalities' tiered systems. Details of the proposed funding structure are included in Table 1 below.

Table 1 Proposed grant structure

	1 bedroom unit or smaller	2 bedroom unit	3+ bedroom unit
Affordable Rental	\$10,000	\$20,000	\$30,000
Affordable Home Ownership	\$5,000	\$10,000	\$15,000
Projects outside of Victoria	The lesser of \$5,000 per unit of any size, or matching grant from project's home municipality		

This model is a relatively low-risk way of encouraging the development of larger, family-oriented units by offsetting their cost with higher grants, as developers would not receive any less funding for reducing the total number of units in a project to accommodate larger units. The model is different than a 'per-unit' funding model as it specifically targets and encourages units with multiple bedrooms.

Table 2 shows a range of scenarios under this new structure, with a comparison to the current funding allowance.

Table 2 – Sample grant funding for an affordable housing project

Affordable Housing Project – same total floor area for all scenarios below:	Current Funding	New Funding Structure		
	\$10,000 per unit of any size or tenure	Affordable Rental \$10,000 per 1 bedroom unit \$20,000 per 2 bedroom unit \$30,000 per 3 bedroom unit	Affordable Home Ownership \$5,000 per 1 bedroom unit \$10,000 per 2 bedroom unit \$20,000 per 3 bedroom unit	Funding if outside City of Victoria \$5,000 per unit of any size
12 x 1-bedroom units	\$120,000	\$120,000	\$60,000	\$60,000
6 x 1-bedroom units 3 x 2-bedroom units	\$90,000	\$120,000	\$60,000	\$45,000
2 x 1 bedroom units 3 x 2 bedroom units 2 x 3 bedroom units	\$70,000	\$140,000	\$80,000	\$35,000

### Affordable Rental vs. Affordable Home Ownership

In the tiered fund structure, the additional option that has been presented is to differentiate between affordable rental vs. affordable ownership on a scale that compensates developers with more funding for units with a lower return – units that are least likely to be developed and therefore have the most social value for the City; and less for those that have a higher return. The lowest proposed grant in the new funding structure is for a one-bedroom (or smaller) affordable home ownership unit. This type of housing unit provides the highest return on investment while the highest grant level in the program is set for an affordable three+ bedroom rental, which as a large rental unit is least economical for a developer to construct and rent.

## Projects Outside the City of Victoria

The purpose of funding projects outside the City limits is to acknowledge that the City is part of the Capital Regional District and has a role to play in contributing to the provision of affordable housing across the region; however, because the fund is financed through the City of Victoria's taxpayers, and the City is primarily responsible for interests within its boundaries, the Victoria Housing Reserve Funds should be viewed as supplementary to projects' host municipality's funding.

Staff recommend Council consider setting the grant at \$5000 per unit, regardless of unit size for projects outside the City of Victoria. This will achieve the following objectives:

1. Victoria demonstrates transparency and fairness in its policy around funding affordable housing projects outside the City of Victoria;
2. projects built within the City remain prioritized;
3. encourages developers to seek funding from the project's host municipality ahead of City of Victoria's funding.

As with the current funding structure, Staff recommend continuing to advise that all projects are funded subject to Council's discretion.

## Family Housing Targets

To meet demand and projected growth, the *Victoria Housing Strategy, 2016-2025*, identifies a target number of 450 new affordable rental housing units for families needed between the years 2016-2026 or 45 units per year. The proposed tiered funding approach has been structured to guide development towards meeting these targets; however, in order to meet the needs of families, consideration must be given to the number of two bedroom units versus three bedroom units, the latter of which are in high demand but much lower supply.

Statistics Canada identifies that in BC, of families with children, approximately 46% have one child; 39% have two children, and 15% have three or more children. The National Occupancy Standards requires separate bedrooms for household members 18 or over and children of opposite sex over the age of five, as well as a maximum of two individuals per bedroom. Therefore, while one-child families and some two-child families would be suitable for a two-bedroom unit, a significant number of families would either, at the time of occupancy or as children age or family composition changes, require three or more bedrooms. Using this information, it is reasonable to determine that a minimum of 50% of new units targeting families should be three-bedroom units; however, this number may be challenging to achieve from a financial perspective.

In order to meet at least some of the demand for larger units while not setting restrictions that would prohibit project development, it is recommended that the City set a target of 25% of total family units developed through the Victoria Housing Reserve Fund to be three or more bedrooms per year, which, if applied as an annual target would equate to a need for approximately 34 two-bedroom and 11 three-bedroom units per year. These units are not project-specific and could be dispersed across multiple buildings to ensure the financial viability of each particular project. These specified targets can also be reviewed and adjusted based on applications received and projects achieved.

The financial impact of linking the Housing Reserve Fund to these targets is noted in the *Financial Impacts* section below.

## Monitoring and Evaluation

Currently, a final report is noted as being a requirement of funding. The Housing Agreement states that if the housing provider does not submit a final report after an agreed upon time, they are considered in contravention of their Agreement and are subject to the rescinding of funds; however, historically this right has not been exercised by the City, and reporting documents have neither generally been provided by housing providers nor requested.

Staff recommend creating a more formal structure of follow-up reporting as a self-auditing measure to ensure funds were beneficial to the project and successful in increasing affordable housing in Victoria. Staff further recommend Council direct staff to create a robust reporting and tracking mechanism to evaluate the application and effectiveness of Housing Reserve Fund grants. Reporting on funds after the project is complete will assist with the evaluation of the program, while tracking the funding will provide the City with meaningful data on the total amount of funding provided, the number of new affordable units the City assisted with creating, and the specific nature of these units (for example the number of accessible suites for seniors, or three-bedroom family units).

Staff have created a draft final project report template (Attachment 4) for Council's review, and recommend appending this template to the Housing Grant Agreement to ensure fund recipients have a mechanism for reporting back to the City. Staff also recommend including language in the Funding Agreement to ensure providers are aware that with receipt of funds, proponents enter into an obligation to report on their use.

## Document Updates

As the next step in reviewing and updating the current funding guidelines, staff reviewed the existing guideline document and identified areas where the guidelines could be streamlined and updated. In particular, the project eligibility criteria is proposed to be refined to provide some flexibility on the use of funds. When the fund was first created, its intent was to fund capital costs only. However, the City has experienced application proposals where the funding could assist with the creation or retention of affordable housing units beyond just capital costs. It is proposed that the eligibility criteria clarify that the funds may be utilized for *"construction, development, purchase, or other one-time costs at the discretion of Council"*. This is meant to offer some flexibility to applicants that are trying to deliver affordable units under various scenarios and having to coordinate funding from other levels of government with different eligibility criteria. It maintains the objective of achieving more affordable units throughout the city, while protecting the City's financial interests by clarifying that the funds cannot be used for ongoing operating costs.

Staff also reorganized the information to improve clarity and to eliminate areas that could potentially be prone to misinterpretation. A process chart is included within the fund guidelines to display, with transparency, the process the proponent will go through after the application is submitted. Previously this information was only communicated informally to proponents.

Staff have combined the documents into a new application package, consisting of new forms and updates to existing forms. The package consists of:

- an application checklist to ensure applications are not missing any information, including supplementary documents. This will help expedite the application process as it will provide staff with all material required to begin the preliminary evaluation of the proponent's project
- an updated Funding Application Form that aligns with the revised Funding Guidelines, and Final Report document (detailed below)

- the Final Report template, which clearly outlines the information the proponent is required to submit after the project has been in operation for a period of 12 months. Previously the City required a report, but did not specify the structure or exact information required. A date will be issued for receipt of the Final Report at the same time as funds are released.

Staff have also developed a process document for internal use to ensure a fair and consistent practice is applied to all applications, and as confirmation of staff completion of each of the required steps, including the final report, which in practice has not been completed in past projects (Attachment 5).

### **Other Options**

Because this proposed funding structure represents a significant shift from current practice, Staff recommend that Council consider only the above change in funding, along with updates and revisions to the administrative documents at this time.

In researching and analysing other programs, and considering choices for Victoria, staff found a number of additional options for changes to the Victoria Housing Reserve Fund that could be explored and considered at a future date, including:

- a bonus grant for meeting a minimum threshold of three-bedroom units
- issuing a call for Expressions of Interest for a one-time higher grant allowance for family housing to stimulate interest and awareness in the program
- honing criteria and to give greater weight to projects that provide access to schools, parks & services, transit, and jobs; as well as focus on areas that are experiencing gentrification and where low-income residents are becoming displaced
- adding bonus grants or collaborate with community grant programs to provide playground equipment or other child-friendly elements to supplement family housing projects
- allowing for flexibility in eligible costs so developers can receive funds at different stages of development and clearly outline these costs on the guidelines to attract developers at different stages of the development process.

### *2015 – 2018 Strategic Plan*

The revision of the Victoria Housing Reserve Fund aligns with the *2015 – 2018 Strategic Plan* Strategic Objectives 3: Strive for Excellence in Planning and Land Use; 6: Make Victoria More Affordable; and 13: Demonstrate Regional Leadership.

### *Impacts to Financial Plan*

Implementing these recommendations now, including targeting levels of new family housing identified in this report, will have no immediate impact to the Financial Plan in 2017 or 2018, as the Reserve is currently well funded at \$1,202,844. The newly adopted Community Amenity Contribution (CAC) policies will also support the development of affordable housing units, and staff could bring a report to Council in the course of 2017-2018 on the estimated number of CAC-generated housing units that could contribute to the reaching of these new targets.

However if the family housing targets were to be solely met by projects funded by the Victoria Housing Reserve, the grant levels proposed in this report would need to increase from \$250,000 to \$714,000 per annum. Because the City has a number of priorities in coming years that will require additional funding, any proposed increases to the Housing Reserve should be considered in the context of those. Some significant capital investment needs include Crystal Pool and



Fitness Centre, David Foster Harbour Pathway, and the implementation of Biketoria. Increased funding will also be needed for facilities, fleet, and roads to maintain current service levels.

Given these other priorities and the fact that the Housing Reserve currently has enough funding to meet proposed new housing targets for the next two years, it is recommended that no increase to the housing reserve funding be made at this time, and instead be considered as part of future financial planning processes.

#### *Official Community Plan Consistency Statement*

This action is consistent with the OCP policy directions of "Land Management and Development" and "Housing and Homelessness"

### **CONCLUSIONS**

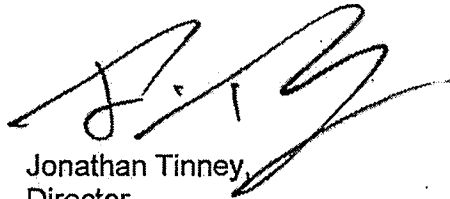
The *Victoria Housing Strategy, 2016-2025*, directs the City to review and update the Victoria Housing Reserve Fund guidelines based on fund allocation, criteria to encourage family-oriented units, and to evaluate the fund for affordable housing projects outside of Victoria. The changes outlined in this report satisfy each of these objectives. Clarifying the level of support for projects outside of Victoria ensures fairness and transparency; updating the administrative documents ensures applicants are clear about the purpose of this funding and their obligations throughout the process; and shifting to a tiered funding model encourages family-oriented units and mixed-unit projects. Staff recommend Council direct staff to proceed with these changes, which will allow the Victoria Housing Reserve Fund to be a more useful tool in positively impacting housing affordability in this City.

Respectfully submitted,



Lindsay Milburn  
Senior Planner – Housing Policy  
Community Planning

Att.



Jonathan Tinney,  
Director,  
Sustainable Planning and Community Development

Report accepted and recommended by the City Manager: \_\_\_\_\_

Date: \_\_\_\_\_

November 17, 2016

#### **List of Attachments:**

- Attachment 1: Updated Victoria Housing Reserve Fund Guidelines
- Attachment 2: Application Victoria Housing Reserve Fund Checklist
- Attachment 3: Updated Victoria Housing Reserve Fund Application Form
- Attachment 4: Final Report template
- Attachment 5: Staff process document