



Governance and Priorities Committee Report

For the Meeting of December 18, 2014

To: Governance and Priorities Committee **Date:** December 5, 2014
From: John Reilly, Senior Planner – Social Issues, Community Planning Division
Subject: Victoria Housing Fund Application for 1950 Blanshard Street

RECOMMENDATION

That Council approve a grant from the Victoria Housing Fund in the amount of \$543,725 to the Greater Victoria Rental Development Society to assist in the development of 65 units of affordable rental housing within the project to be constructed at 1950 Blanshard Street, on the following conditions:

1. The grant will be eligible for payment to the Greater Victoria Rental Development Society upon approval of the grant by Council.
2. The grant is to be repaid by the Greater Victoria Rental Development Society if the project does not proceed.
3. The Greater Victoria Rental Housing Society will ensure that the City of Victoria receives public recognition for its role as a financial contributor to this housing project by identifying the City of Victoria as a contributor on publications and documents related to the project and at public events related to the development, completion and operation of the project.
4. Upon project completion, the applicant submits a final report to the Sustainable Planning and Community Development Department.
5. The Greater Victoria Rental Development Society enter into an Agreement securing the conditions of the grant and in a form satisfactory to the City Solicitor, Director of Finance and the Assistant Director of Community Planning, Sustainable Planning and Community Development Department.

EXECUTIVE SUMMARY

The purpose of this report is to present Council with information, analysis and recommendations for a Victoria Housing Fund Grant Application for an affordable rental housing project located at 1950 Blanshard Street.

The Victoria Housing Fund Guidelines permit consideration of Grant Applications for up to \$10,000 per residential unit for eligible projects. The current balance within the reserve fund is \$1.8 million, which includes \$1.3 million in funding for previously approved projects. This means there is \$545,328 in the Fund available to support new projects. The reserve fund has no minimum threshold and this decision will have no impact on the 2015 budget. There is currently one letter of intent on file but no grant applications at this time.

An Application from the Greater Victoria Rental Development Society has been received for the

development of 65 units of affordable rental housing for low and moderate households. Although the project is eligible for a total grant of \$650,000, the applicant has chosen to tailor the Grant Application to match the funds currently available to fund new projects.

Therefore, a recommendation for a grant of \$543,725 (\$8,354 per unit) is being presented for Council consideration. Should Council approve this request, the new balance would be \$1,603. The Victoria Housing Fund reserve account will be increased in 2015 through the City's annual contribution of \$250,000 and the addition of earned interest from 2014.

BACKGROUND

On September 17, 2013, the City of Victoria received an application from the Greater Victoria Rental Development Society, a registered non-profit society in Victoria, requesting a Victoria Housing Fund grant to assist with the capital costs of constructing 65 units of affordable rental housing in five storeys of residential within a seven-storey mixed-use building at 1950 Blanshard Street. Three studio units and 40 one-bedroom units will be dedicated as rental housing for low-income tenants and 22 one-bedroom units will be dedicated as rental housing for moderate-income tenants. The project aims to address the needs of two key target tenant groups: low-income working adults with incomes below \$29,000 per year and moderate-income households with incomes between \$29,000 and the region's median household income.

Rezoning was required to permit this development so the Victoria Housing Fund application was put on hold pending the outcomes of that process. In the interim, the applicant was informed that the reserve fund for the Victoria Housing Fund only had \$545,328 available to support new projects. The applicant chose to submit an amended application that provides a grant request that matches the amount of funds available in the reserve fund.

Following a Public Hearing on October 23, 2014, City Council approved a Rezoning Application for increased density consistent with the *Downtown Core Area Plan, 2011 (DCAP)* and a Development Permit Application for the exterior design, finishes and landscaping to permit this development. As a condition of the zoning amendment, Council also approved a Housing Agreement securing the residential units as rental-only at affordable rental rates that align with the Victoria Housing Fund guidelines for low and moderate income households.

ISSUES & ANALYSIS

In response to the application, City staff completed a Project Eligibility Evaluation and determined that this application meets the eligibility criteria contained in the Victoria Housing Fund Guidelines (attached). Details with respect to rental affordability and the applicant's ability to leverage other funding and use the Grant funds as per the City's eligibility criteria are provided below.

Affordability Requirements

Of the 65 units, 43 will be a mix of studio and one-bedroom units (see Table 1 below). The bachelor and one-bedroom unit rents are set to achieve affordability targets set by BC Housing's Housing Income Limits (HILs). This will allow the project to achieve unit rents affordable to low-income working individuals and couple households as per the Victoria Housing Fund Guidelines. The rents for the remaining 22 units are set to achieve rents affordable to moderate-income households as defined by the Victoria Housing Fund Guidelines.

Preliminary estimates for construction expenses are \$16.6 million for the entire project and \$11.4 million for the residential component. A breakdown of the anticipated municipal fees for the development of the entire project is presented in Table 2 (see below).

Table 1 – Proposed Rent and Income Targets

Unit Type	Number of Units	Affordability Levels	Estimated Rents	Target Income
Low Income Units				
Studio	3	2014 Housing Income Limits	\$725	Up to \$29,000
One bedroom	40	2014 Housing Income Limits	\$862	Up to \$34,000
Moderate Income Units				
One bedroom	22	CMA Median Income	\$950	Above \$34,000
Total	65			

Table 2 – Anticipated Municipal Fees

Item	Estimated Fee
Building Permits	\$106,456
Development Cost Charges	\$179,025
Rezoning Application	\$10,000
Municipal Connection Fee	\$25,700
Development Permit	\$1,625
Total	\$322,806

Leveraging Additional Funding

In addition to this funding request, the applicant has requested additional funding and contributions to support the affordability of the project. BC Housing has approved \$317,720 in Project Development Funding (PDF) and will be providing low-interest construction financing and access to low-interest take-out financing once the project is completed. CMHC has contributed \$120,000 in project development grants and interest free loans. The project team presented this project to the Regional Housing Trust Fund Commission in December of 2013. The Commission responded by passing a resolution requesting that the Greater Victoria Rental Development Society submit a formal Application for a grant of \$975,000. The Commission will be considering the Grant Application at a meeting to be held in early January 2015. All additional funding, either secured or pending, is summarized in Table 3.

Table 3 – Additional Resource Contributions

Source	Amount	Status
BC Housing PDF Funding	\$317,720	Approved
CMHC PDF Grant/Loan	\$120,000	Approved
CRD Housing Trust Fund	\$975,000	Pending
Total Other Public Sources	\$1,412,720	
Developer Costs In-Kind	\$400,000	Approved
Total All Sources	\$1,812,720	

If successful, the project will leverage the equivalent of \$2.60 of other public investment for every dollar of investment from the Victoria Housing Fund. In terms of creating a capital asset worth over \$16.6 million, the private-public investment leverage rate is 12:1.

Use of Funds

The applicant has made a commitment to enter into an agreement with the City securing the conditions of the grant, which includes repaying the grant should the project not proceed as

presented by the applicant. A Housing Agreement has been approved and signed that secures this building as rental housing in perpetuity at rent levels that align with the City of Victoria Housing Fund Guidelines. The applicant is required to provide annual reports to the City outlining how the project is achieving the affordability targets outlined in the Housing Agreement.

OPTIONS AND IMPACTS

Option 1 – Approve the Grant Request (Recommended)

Approval of the grant will allow the Greater Victoria Rental Development Society to build 65 units of affordable rental housing. It will help leverage a grant from the Regional Housing Trust Fund as well as BC Housing Management Commission interim financing at a very favourable rate. It will also allow the applicant to access BC Housing Mortgage Insurance for Affordable Housing.

Option 2 – Decline the Grant Request

This option is not recommended as without grant approval, the applicant project team will be unable to leverage the necessary financing to commence construction and would likely render the project non-viable as an affordable rental housing development.

OFFICIAL COMMUNITY PLAN CONSISTENCY STATEMENT

Approval of this grant request will advance Official Community Plan objectives and policies regarding the provision of rental housing options and entering into partnerships with other levels of government and agencies to help achieve new affordable housing initiatives.

CONCLUSIONS

The housing development presented in this report meets the Victoria Housing Fund eligibility requirements and is being proposed by an applicant with a history of success in developing affordable rental housing in the community. A Housing Agreement has been registered on title securing the housing units as rental in perpetuity at rates that align with the Victoria Housing Fund Guidelines. The recommendation presented in this report also includes conditions that allow for the timely provision of the grant to the applicant in a way that also provides additional security for the City's financial investment.

Respectfully submitted,



John Reilly
Senior Planner, Social Issues
Community Planning Division



Andrea Hudson, Assistant Director
Community Planning Division
Sustainable Planning and
Community Development Department

Report accepted and recommended by the City Manager:  _____
Jason Johnson

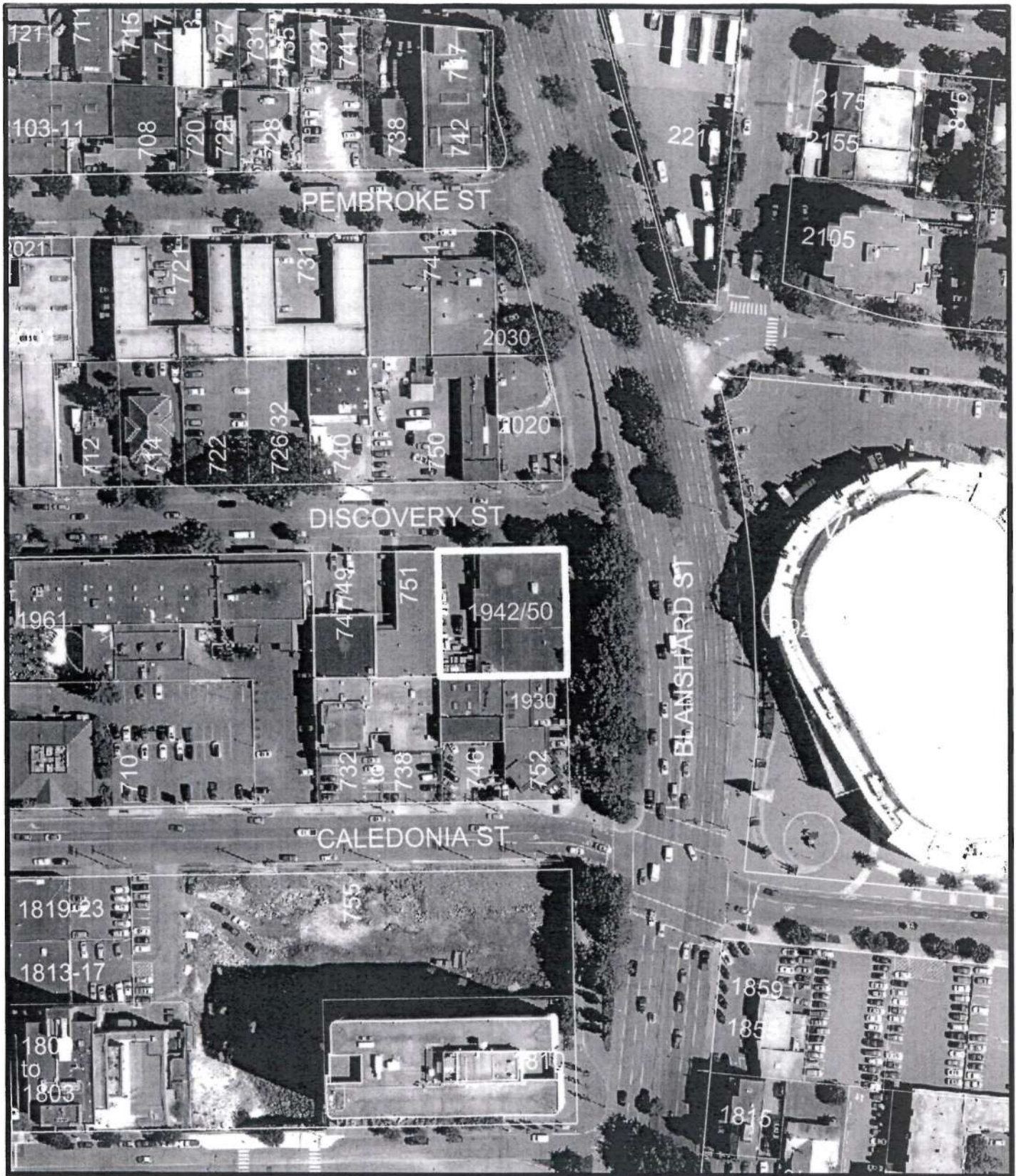
Date: December 12, 2014

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ATTACHMENTS

1. Arial Photo – 1950 Blanshard Street
2. Applicant letter dated September 17, 2013.
3. Development Permit Approved design rendering – 1950 Blanshard Street
4. Victoria Housing Fund – Guidelines



1950 Blanshard Street

Victoria Housing Fund Application #HG000002



September 17, 2013

Mayor and Council
City of Victoria
C/o John Reilly MSW RSW
Senior Planner – Social Issues
City of Victoria
Sustainable Planning and Community Development Dept.
Community Planning
1 Centennial Square
Victoria, BC V8W 1P6

Mayor Fortin and City Councilors

Re: Housing Trust Fund Letter of Intent: 1950 Blanshard Street

Introduction

We are please to submit our Letter of Intent for a 65 unit purpose built affordable rental housing project at 1950 Blanshard Street, Victoria BC. An application form is attached.

Greater Victoria Rental development Society (GVRDS) is continuing with their business model with the development of this studio and one bedroom apartment building scheduled to open in the January 2016.

Proposed Summary and Vision

GVRDS proposal is to build a new purpose built concrete seven-story affordable rental building without on going government subsidy. Our building will have underground parking, laundry facilities per floor and participate in the car share program by providing two cars dedicated for the building tenant use only. The building will have the first two stories dedicated to commercial to help raise capital. Our design team hopes to create an architectural pleasing building that will allow tenants a sense of pride for it to be their home.

Our business model was developed in 2009 and is based on the following:

- o GVRDS builds at no development cost to the project from acquisition to turn key to save the project approximately \$400,000.00. The mortgage is reduced by the lack of this fee and in turn the apartment rentals can reflect this savings. GVRDS further contributes by donating project management fees and account management fees during the construction process. These savings allow for a lower take out mortgage. Each rental unit benefits with a

reduction of rent of over \$32.00 per unit /per month over the term of a ten year mortgage.

- Operating surpluses will, as with our other projects, 21 Gorge and 35 Gorge, be used to access and acquire future affordable rental projects.

GVRDS has 1950 Blanshard under contract with a patient vendor that understands the time it takes to complete a project like this.

In addition GVRDS has an interested buyer in the first two floors of the commercial that will sign a letter of intent. This greatly adds to the capital that is needed for this project. The commercial space will be sold or leased to other societies and or other businesses that will enhance the growth of the neighborhood.

GVRDS will hire Dale Schuss as Property Manager for the building once complete. Dale owns and operates his management firm Randall North. They manage over 175 properties on Vancouver Island and the north of British Columbia. Dale Schuss worked for Greater Victoria Housing Society before starting Randall North in 2008. Dale brings his ability to select tenants and manage rent based on incomes.

Types of Units and Target Incomes:

Our preliminary proposal for this site is:

Type	Number	Affordability	Approximate Rent
One Bedroom	60	CMHC level one	\$895
Studio	5	CMHC level one	\$775
Total	65		

Our Target Tenant groups are:

- Low income working adults with incomes under \$34,000.00
- Singles or couples without access or ability to afford a car but enjoy the option to have one if needed.

GVRDS's board believes in our mission statement to continue to build and manage quality affordable new build rental apartment building. In doing this we hope to fill an important need to increase the affordable rental pool in perpetuity. In helping those who struggle day to day to make their paychecks stretch to cover rent we hope to give them a break and help with their overall mental health. We also hope to

allow the tenant the ability to put a little away to be able to someday be a buyer within the downtown core.

In our plan, as with all of buildings, we will hold the buildings as non-profit ownership as guaranteed by our housing agreements that are registered upon completion. We hope that with good management they will become more affordable, over time, relative to the market place.

Project Partners and Development Team

We have assembled a team of experienced professionals. Knappett Projects Inc. is our contractor; Jackson Low from Chow Low Hammond is our architect. We have worked together to produce 21 Gorge and 35 Gorge on time and on budget.

As with our past two projects Greater Victoria Rental Development will develop the project at no cost to the building. GVRDS will then own in perpetuity.

Capital and Operating Budgets

Capital:

The total capital costs have been estimated but may fluctuate upon tendering. At this time we are looking at a budget of \$16,879,675.00. The building has approximately 39,000 sq. feet of residential. It has approximately 14,400 of underground parking and will have approximately 12,500 of commercial. As it is a concrete building we are looking at \$218 a sq. ft. construction for residential and \$174 a sq. for commercial. Soft costs are not included in this total but can be found on the attached capital budget.

There will be 13 units per floor with a total of 65 units over five floors. Each floor has 1 studio at 393 sq. feet, and 12 one bedroom that range from 460 sq. feet to 500 sq. feet.

A draft budget is attached.

If we are successful in attracting a Victoria Housing Fund in 2015 we will be able to leverage the following .

BC Housing Management Commission interim financing at a very favorable rate (currently below 1.8%)

- CMHC Mortgage insurance rates for affordable housing
- Take out financing (mortgage) within BC Housing's tendering process at a below typical bank rate.

Other sources of funding:

- We have been awarded CMHC Seed Funding Grant for \$10,000.00
- We have been awarded CMHC's \$10,000.00 seed loan.
- We are submitting the application for a further \$80,000.00 from CMHC for pdf loan. GVRDS is meeting with Rob Jaswal from CMHC on September 26 at 1950 Blanshard to review the pdf application.
- We are submitting an application to BC Housing for ppa funding for project development costs (estimated at \$450,000.00). GVRDS has a meeting on October the 1st with Danna Locke and Donna Money to discuss the project.
- We are submitting a grant application to the CRD for \$15,000.00 a unit for 2015.
- GVRDS is donating development and project management fees. Also no fees from GVRDS for accounting, neighborhood liaison or office costs are applied to the project. Saving the project an estimated \$400,000.00
- A board member has donated the deposit that secured the land in the amount of \$20,000.00
- We will be asking BC Housing for a contribution of \$200,000.00.
- We will be selling the commercial to an interested buyer upon completion. At this time the value of the commercial as a capital investment is estimated at \$7,800,000.00. The investor is willing to sign a letter of intent. We also have other societies that will be willing to buy into the commercial and will also sign letters of intent for the areas that they need.

Schedule of Funding- we would like the Victoria Housing Fund contribution at the time we purchase the land (estimating January 2015)

Operating:

GVRDS's operating budgets will depend on final site and numbers but are based on Randall North estimates and GVRDS's experience with our last two projects. Alanna Holroyd also has over 30 years in management skill that has been used in project pro forma calculations.

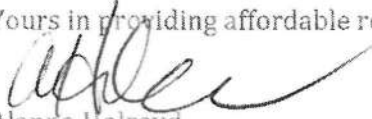
Summary

1950 Blanshard is another exciting opportunity for the City of Victoria to participate in what has become a successful campaign to add to the affordable rental housing pool. GVRDS has greatly appreciated this partnership and the vision that the City of Victoria has made a viable reality.

GVRDS can produce non subsidized affordable rental apartments that are quality built and offer a clean safe environment for the low to middle income worker. We cannot do this alone and we ask that the City of Victoria please consider us by providing a \$10,000.00 per unit grant for the 65 units.

If you have any questions please contact Alanna Holroyd at 250-884-1557.

Yours in providing affordable rental homes,



Alanna Holroyd
Greater Victoria Rental Development Society
aholroyd@gvrds.com
www.GVRDS.com

Victoria Housing Fund Application for 1950 Blanshard Street

MIXED USE DEVELOPMENT

1950 Blanshard Street
REVISED JUNE 2014



LOW HAMMOND ROWE ARCHITECTS

GVRDS



CITY OF VICTORIA HOUSING FUND PROGRAM APPLICATION GUIDELINES

Program Overview

The fund was established for the purpose of the providing grants for capital funding:

- To assist in the development and retention of housing for households with no, low or moderate incomes to support community diversity and infrastructure; and
- To facilitate the development of affordable rental housing.

Who can apply?

Eligible applicants must be a non-profit society or have a partnership with a non-profit organization that will own and operate the housing.

The City encourages partnerships between non-profit societies and the private development industry.

Project Eligibility

Priority for project funding will be based on a consideration of the following criteria:

- Projects that include leveraging and partnerships with other government funding agencies, private industry, community agencies and/or individuals;
- Projects that target housing for no, low or moderate income households (definition below).
- Projects that address the housing needs of families with dependent children, youth and the chronically homeless;
- Projects that are in the City of Victoria (except for those specifically directed to youth and the chronically homeless);
- Proponents with a proven track record of developing and operating non-profit housing.

Funding Assistance

The maximum assistance for eligible projects, under this program, is in the form of a grant of up to \$10,000 per unit.

Should construction of a project for which a grant is approved not commence within two years of the Development Permit approval or should a Development Permit in respect of an approved project not be issued within two years of Council's approval of the grant, the approved grant shall be rescinded.

The City reserves the right to accept or reject any application for funding without limitation.

Application Procedure

1. The proponent meets with the designated staff representative to determine project eligibility;
2. Once it is determined that the project can be considered within the program, the proponent is directed to proceed with a full application;
3. Proponent provides an application package for review;
4. The Administrator evaluates and scores the application and a report with a recommendation to approve or reject the application or provide further information is forwarded to Council for consideration;

Approval of funding under this program does not limit Council's decision making with regard to Rezoning, Development Variance or Development Permit or any other approvals.

Definition of Low and Moderate Income

Low Income

For the purpose of the definition of low income households in this policy, the City endorses the Housing Income Limits as published by BC Housing on an annual basis.

2014 Housing Income Limits (HIL's) for Victoria: Bachelor = \$29,000

1 Bdrm = \$34,500

2 Bdrm = \$43,000

3 Bdrm = \$59,000

4+ Bdrm = \$65,000

Moderate Income

Households with incomes below the Victoria CMA median income are considered to be moderate income for the purposes of this policy.

***The 2011 Victoria CMA household median income = \$61,553.00 per annum (Source: Statistics Canada)*

Affordable housing is defined as costing no more than 30% of gross household income.

Development Cost Charges

All housing projects will be required to pay all City permits, fees and Development Cost Charges. Under the authority of section 933 (12) of the Local Government Act, City Council may authorize a grant equal to the development Cost Charge levy for not for profit housing and supportive housing projects. These grants would be incorporated into any contribution from the Victoria Housing Trust Fund.

Contacts

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