



REPORT

Report Date: June 5, 2020
Contact: Celine Mauboules
Contact No.: 604.673.8287
RTS No.: 13752
VanRIMS No.: 08-2000-20
Meeting Date: July 7, 2020
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TO: Vancouver City Council
FROM: General Manager of Arts, Culture and Community Services
SUBJECT: Community Housing Incentive Program Grants

RECOMMENDATION

- A. THAT Council approve a grant of up to \$890,000 to the Finnish Canadian Rest Home Association ("Finnish Care Home")(a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 2230 Harrison Drive, legally described as PID: 018-035-361; Lot F, Block 24, Fraserview Plan LMP7749.
- B. THAT Council approve a grant of up to \$655,000 to the Lee's Benevolent Association of Canada ("Lee's Seniors' Housing") (a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 835-837 East Hastings Street, legally described as PID: 027-090-256; Lot G, Block 61, District Lot 181, Group 1, New Westminster District Plan BCP30460.
- C. THAT Council approve a grant of up to \$910,000 to the The Governing Council of the Salvation Army in Canada ("Salvation Army")(a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 128-138 East Cordova Street, legally described as PID: 015-686-221; Lot 33-39, Block 9, District Lot 196, Plan 184.
- D. THAT Council approve a grant of up to \$6,255,000 to the Aboriginal Land Trust Society ("ALT")/Lu'ma Aboriginal Housing Society ("Lu'ma") (a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 52-92 East Hastings, legally described as PID: 023-332-891; Lot G, F, 12, 16 & 17, Block 13, District Lot 196, Plan LMP27049 & VAP184.

- E. THAT the issuance of the grants be subject to the following conditions:
- i. Execution of a grant agreement (the “Grant Agreement”) on the terms and conditions as outlined in this report (or signing and returning a grant letter agreeing in writing to its terms); and
 - ii. Confirmation of funding / financing sources for the Development being secured to the satisfaction of the Director of Finance and the Director of Legal Services.
- F. THAT the Grant Agreements and/or grant approval letters be on the terms generally outlined in this Report and otherwise satisfactory to the General Manager Arts, Culture and Community Services, Director of Finance, and Director of Legal Services.
- G. THAT the General Manager Arts, Culture and Community Services be authorized to execute a grant approval letter, and the City Solicitor be authorized to execute the Grant Agreements, on behalf of the City.
- H. THAT no legal rights or obligations are created by the approval of Recommendations A, B, C and D above unless and until the Grant Agreements (or letters of approval) is executed and delivered by the City and the above referenced non-profit societies and confirmation of funding / financing sources for the Development has been secured to the satisfaction of the Directors of Finance and Legal Services.

Approval of Recommendations A, B, C and D constitutes a grant and therefore require affirmative vote of at least 2/3 of all of Council members pursuant to Section 206(1) of the *Vancouver Charter*.

Sources of funding for the grants is the approved multi-year capital project budget for 2019-2022 Community Housing Incentive Program; expenditures will be managed within the current approved Annual Capital Expenditure Budget.

REPORT SUMMARY

This report recommends Council approve four Community Housing Incentive Program (CHIP) capital grants totaling \$8,710,000 towards the construction of 269 social housing units located across the City of Vancouver. The Capital Grants would be payable after building permit issuance following execution of a Grant Agreement (or signing and returning a grant letter agreeing in writing to its terms) and confirmation of funding/financing sources. The developments will also require registration of Housing Agreements securing all units as social housing for 60 years or the life of the building, whichever is greater.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Housing Vancouver Strategy and Action Plan — In November 2017 Council approved the Housing Vancouver Strategy (2018–2027) and 3-Year Action Plan (2018- 2020). The strategy seeks to shift the supply of new homes toward the right supply, with targets for new units along

a continuum of housing types. The Housing Vancouver targets were based on the core goals of retaining the diversity of incomes and households in the city, shifting housing production towards rental to meet the greatest need, and coordinating action with partners to deliver housing for the lowest income households. Overall, 72,000 new homes are targeted for the next 10 years, including 12,000 social, supportive and non-profit co-operative units and 20,000 purpose-built rental units. Nearly 50 percent of the new units are to serve households earning less than \$80,000 per year, and 40 percent are to be family-size units.

2019-2022 Community Housing Incentive Program (CHIP) – In October 2019, Council approved the creation of a new grant program to replace the previous Housing Infrastructure Grant program. The objective of CHIP is to fund units delivering deeper levels of affordability (e.g. homes renting at the shelter component of income assistance rates or Housing Income Limits) beyond what is required in the City's social housing definition. CHIP also places emphasis on the importance of partnerships and funding with other levels of government to further deliver on affordability objectives, as well as prioritizing projects aligning with City objectives around reconciliation, equity, and access.

Truth and Reconciliation Commission Calls to Action (2016) - In January 2016, Council approved in principle the City's response to the 27 Truth and Reconciliation Commission Calls to Action that fall within its jurisdiction, in the areas of healthy communities and wellness; Indigenous and human rights and recognition; and advancing awareness, knowledge and capacity.

City of Reconciliation (2016) As a City of Reconciliation, the City commits to:

1. Form a sustained relationship of mutual respect and understanding with local First Nations and the Urban Indigenous community, including key agencies
2. Incorporate a First Nations and Urban Indigenous perspective into our work and decisions
3. Provide services that benefit members of the First Nations and Urban Indigenous community

Long-term goals aim to:

- strengthen local First Nations and Urban Indigenous relations;
- promote Indigenous peoples arts, culture, awareness, and understanding; and,
- incorporate First Nations and Urban Indigenous perspectives for effective City services.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The Capital Grants being recommended for approval in this report represent the first projects to be put forward under the new Community Housing Incentive Program. The grants will support the substantial investment of multiple partners to deliver four social housing projects with deepened levels of affordability and therefore the General Manager of Arts, Culture and Community Services and the City Manager RECOMMENDS approval of the foregoing.

REPORT

Background/Context

Housing Vancouver identifies the need for and targets the completion of 12,000 social housing units by 2028. Progress towards this target is outlined in the table below. A significant portion of these social housing units are anticipated to be delivered by community partners such as the non-profit housing providers being recommended for funding in this report.

Figure 1: Progress Towards 10 Year Housing Vancouver Targets for Non-Market Housing as of March 31, 2020

Housing Type	10-Year Targets	Units Approved Towards Targets
Social, Supportive, and Co-op Housing Units	12,000	4,657
Purpose-Built Market Rental Housing Units	20,000	3,503

The four developments include 269 social housing units which will help achieve the 10-year Housing Vancouver target of 12,000 new social and supportive housing units. Three projects are evaluated under the new CHIP framework that prioritizes deeper levels of affordability and more emphasis on alignment with City housing and strategic objectives; one project was grandfathered under the previous Housing Infrastructure Grant program.

The Affordable Housing Delivery and Financial Strategy specifically identifies the Housing Infrastructure Grant program as a key tool to support non-profit and co-op-led affordable housing projects. The previous Housing Infrastructure Grant program was introduced in 2015 with grant amounts based on a “per-bed” basis of \$10,000 per studio and 1-bedroom, \$20,000 per 2-bedroom, and \$30,000 per 3-bedroom unit, regardless of affordability level.

In 2019, Council approved the 2019-2022 Community Housing Incentive Program with an updated Housing Infrastructure Grant framework with increased grants for non-profit and co-op housing projects offering deeper levels of affordability. The new framework focuses on delivering deeper levels of affordability and allowing for earlier in-principle commitment of City contribution, all while reflecting the City’s role and financial capacity to support non-profit and co-op housing projects.

Grant amounts for projects are modelled using baseline assumptions including unit construction costs, rents, operating and maintenance expenses, financing cost, and an assumed level of Provincial/Federal government or other partner funding. The framework also recognizes the ability of cross-subsidy within a project and grants are targeted to units within a project renting at Housing Income Limits (HILs) rates or below.

To help non-profit and co-op societies leverage other funding opportunities, such as Provincial and Federal government funding, the proposed new program will allow the City to provide in-principle funding commitments to projects based on the proposed number of homes, types and affordability, and estimated net capital funding requirement determined using baseline assumptions. As a project further develops, the funding commitment could be adjusted to reflect the updated project specifics, additional funding partner contributions, updated cost assumptions, or changes in the affordability levels, as agreed to by the project’s partners.

To reflect the City's role and capacity in supporting development of affordable housing, the CHIP program includes an assumed level of Provincial and Federal government investment through BC Housing's Community Housing Fund program or CMHC's Co-Investment Fund. The program also includes a cap on the grant for any single non-market/co-op home renting at HILs rates or below in a project to ensure the City's contribution is used to best position our housing providers to leverage the City's early in-principle commitment to a project and obtain Provincial and/or Federal government investments or other philanthropic financial support.

The CHIP grant program builds on the principles of ensuring project viability and deepening on-site affordability and aims to maximize the City's grant impact in the context of increased senior government funding. The updated framework also endeavours to align funding priorities with other strategic City objectives (e.g. City of Reconciliation, Women's Equity Strategy).

Strategic Analysis

Overview of Proposed Projects

Finnish Care Home (2230 Harrison Drive)

The Finnish Care Home development proposes 72 units for seniors living on low and/or fixed incomes in the Victoria-Fraserview/Killarney neighbourhood. This application was initially received in July 2018 and was grandfathered under the previous Housing Infrastructure Grant Program, which utilized a fixed "per-door" amount and applied to all rental units in a project. A grant of up to \$890,000 towards capital costs of the project is recommended based on the proposed unit mix (7-studios, 48-1BR and 17-2BR).

The project responds to Council's objective of creating additional housing options for seniors living on fixed incomes. Although not part of the evaluation, there are care home facilities attached to the development. The project is located in an area which is accessible for seniors, including transit and proximity to shopping and services. The development also incorporates accessible design elements within the various unit types and common amenity types to accommodate a range of senior households. The society will be seeking competitive financing and potential funding opportunities from CMHC.

A rezoning application for the site was approved in principle at public hearing on January 15, 2019 with conditions including a requirement for a Housing Agreement to be registered on title to secure the social housing units for the greater of 60 years or the life of the building. In terms of partnerships, the society will be seeking competitive financing and potential funding opportunities from CMHC.

Unit affordability summary

	Studio	1BR	2BR	3BR	Total
Shelter	-	-	-	-	-
CMHC median rent	7	16	2	-	25
HILs	-	-	-	-	-
Lower end of market	-	32	15	-	47
	7	48	17	-	72

Development funding summary

Estimated development costs (\$m)	
Land equity	8.1
Development costs	\$30.0
	\$38.1
Anticipated sources of funding (\$m)	
Land equity	8.1
Applicant equity	4.8
City of Vancouver CHIP grant	0.9
DCL exemption	1.0
Mortgage financing	23.3
	\$38.1

Lee's Seniors Housing (835 East Hastings)

The Lee's Seniors Housing development proposes 40 units of social housing geared towards seniors living on low or fixed incomes in the Downtown Eastside. The project complies with the housing affordability requirements in the Downtown Eastside plan.

One-third of units will rent rates no higher than the shelter component of Income Assistance, one-third of units are to be occupied by households with incomes below the current applicable Housing Income Limits (rent-geared-to-income), and the remaining third will rent at affordable market rents (average market rents posted by CMHC for Hastings East). A grant of up to \$655,000 towards the capital costs of the project is recommended based on the project's proposed unit mix and affordability.

A rezoning application for the site was approved in principle at public hearing on January 15, 2019 with conditions including a requirement for a Housing Agreement to be registered on title to secure the social housing units for the greater of 60 years or the life of the building.

The project responds to Council's priority of creating more housing options for individuals on income assistance and housing for seniors living on low or fixed incomes in the Downtown Eastside.

In terms of partnerships, the society is expecting to receive a capital contribution from BC Housing and intends to seek additional funding from CMHC.

Unit affordability summary

	Studio	1BR	2BR	3BR	Total
Shelter	13	-	-	-	13
HILs	27	-	-	-	27
Lower end of market	-	-	-	-	-
	40	-	-	-	40

Development funding summary

Estimated development costs (\$M)	
Land equity	2.9
Development costs	16.9
	\$19.8
Anticipated sources of funding (\$M)	
Land equity	2.9
Applicant equity	2.5
CMHC contribution	2.2
BC Housing contribution	5.1
City of Vancouver CHIP grant	0.7
DCL exemption	0.6
Affordable Housing Utilities grant	0.8
	\$14.8
Required mortgage/equity financing (\$M)	<u>\$ 5.0</u>

Salvation Army (128 East Cordova)

The Salvation Army development proposes 46 units of social housing geared towards individuals experiencing homelessness and living with mental health and/or addictions in the Downtown Eastside. The overall development also includes 120 supported residential spaces (beds in single occupancy or shared sleeping rooms), 134 emergency shelter beds, a social service centre and community meal program (ineligible for CHIP grant funding). Approximately half of the eligible 46 units will rent at the shelter component of income assistance rates, and the other half will rent at HILs (rent-geared-to-income). The primary objective is to rent as many of the units at income assistance levels as possible. A grant up to \$910,000 towards the capital costs of the project is recommended based on the project's proposed unit mix and affordability.

The project responds to Council's priority of creating more housing options for individuals on income assistance and/or experiencing mental health/addictions in the Downtown Eastside. The project also exceeds the housing affordability requirements in the Downtown Eastside Area Plan by providing at least half of the units at shelter rates or the lower end of HILs. The project is also a renewal and expansion of the current shelter and support services located across the street from the proposed site, while adding 46 units of social housing without displacement of existing services.

The development permit application for the site was approved by the Development Permit Board on March 20, 2020 with a requirement for a Housing Agreement to be registered on title.

In terms of partnerships, the society will be seeking funding from BC Housing's Community Housing Fund and CMHC's Co-Investment Fund to achieve as much shelter rate housing as possible.

Unit affordability summary

	Studio	1BR	2BR	3BR	Total
Shelter	23	-	-	-	23
HILs	23	-	-	-	23
Lower end of market	-	-	-	-	-
	46	-	-	-	46

Development funding summary

Estimated development costs (\$M)	
Land equity	21.5
Development costs	92.6
	\$114.1
Anticipated sources of funding (\$M)	
Land equity	21.5
Applicant equity ¹	29.2
Applicant fundraising	20.0
CMHC contribution	17.4
Correction Canada contribution	2.0
BC Housing contribution	21.4
City of Vancouver CHIP grant	0.9
DCL exemption	0.7
	\$113.1
Required mortgage/equity financing (\$M)	<u>\$1.0</u>

Note 1 - Includes \$25M estimated net proceeds from disposition of the existing site

Aboriginal Land Trust (ALT)/Lu'ma (52-92 East Hastings)

The ALT/Lu'ma development proposes 111 units of social housing geared towards local urban Indigenous residents in the Downtown Eastside. The overall development also includes a healing centre space to be operated by Vancouver Native Health Society. Of the 111 homes, 53 units will be renting at the shelter component of income assistance rates and the remaining 58 units will be targeted at no more than 30% of the units renting to households with incomes below the Housing Income Limits as set out by BC Housing. A grant of up to \$6,255,000 towards the capital costs of the project is recommended based on the project's proposed unit mix and affordability.

The project responds to Council's priority of increasing affordable housing and decreasing homelessness for urban Indigenous people in Vancouver. The project also exceeds the housing affordability requirements in the Downtown Eastside Local Area Plan by providing most units at shelter rates or the lower end of HILs. The 53 units renting at shelter rates function as SRO replacement for the loss of the existing Shaldon Hotel as required by the SRA By-law. RainCity Housing will continue to manage the new shelter rate homes. Another 28 units will also be designated family housing for urban Indigenous families, which diversifies the mix of housing available in the Downtown Eastside and options for urban Indigenous households.

The development permit application for the site was approved by the Development Permit Board on March 20, 2020 with a requirement for a Housing Agreement to be registered on title.

In terms of partnerships, the society has received capital and ongoing operating funding through BC Housing's Indigenous Housing Fund and contributions through the Federal Indigenous Homes Innovation Initiative.

Unit affordability summary

	Studio	1BR	2BR	3BR	Total
Shelter	50	3	-	-	53
HILs	11	19	25	3	58
Lower end of market	-	-	-	-	-
	61	22	25	3	111

Development funding summary**Estimated development costs (\$M)**

Land equity	2.9
Development costs	\$47.5
	\$50.4

Anticipated sources of funding (\$M)

Land equity	2.9
Indigenous Services Canada contribution	1.6
BC Housing contribution	22.2
City of Vancouver CHIP grant	6.3
DCL exemption / DCC waiver	2.4
BC Housing mortgage financing	15.0
	\$50.4

Financial Implications

The City's Capital Grant contribution is conditional on execution of the Grant Agreement and confirmation of all funding/financing sources for the Development secured to the satisfaction of the Directors of Finance and Legal Services and registration of the Housing Agreement on title to the Lands.

Consistent with Council policies, all affordable housing projects are expected to be self-sustaining over the long-term where rents and/or external operating subsidies are set at levels that will cover mortgage payments (to repay some or all of the construction costs), operating costs and capital replacement; and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City.

Prior to disbursement of the grants at Building Permit issuance for each project, the following steps are to be undertaken to ensure that the grant funds are used for the intended affordability outcomes:

- Execution of a Grant Agreement by the non-profit/co-op and the City;
- In most projects, registration of a Housing Agreement on title to secure affordability level of all homes;
- Confirmation of funding/financing sources for the development.

Sources of funding for the grants is the current approved multi-year capital project budget for 2019-2022 Community Housing Incentive Program; expenditures will be managed within the current approved Annual Capital Expenditure Budget.

CONCLUSION

The four projects will serve Council's overall housing objectives by providing 269 units of non-market rental or social housing across the city for a diverse range of populations that may experience greater barriers to housing. Staff recommend that Council approve the capital grants to assist the projects with delivering deeper levels of affordability beyond the City's standard social housing definition.

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