



ADMINISTRATIVE REPORT

Report Date: November 22, 2017
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VanRIMS No.: 08-2000-20
Meeting Date: December 13, 2017

TO: Standing Committee on City Finance and Services
FROM: General Manager of Community Services
SUBJECT: Capital Grant for 870 East 8th Avenue (Red Door Housing Society) for Social Housing

RECOMMENDATION

- A. THAT Council authorize the General Manager of Community Services to enter into an agreement (the "Grant Agreement") with Red Door Housing Society ("Red Door") to set out the conditions of the capital grant toward construction of 51 new social housing units for families and seniors (the "Social Housing Units") on the property located at 870 East 8th Avenue (legally described as, PID: 002-549-140; Lot G, Block 117, District Lot 264A, Plan 20632) (the "Lands"). The Grant Agreement will be to the satisfaction of the General Manager of Community Services and the Director of Legal Services, and will state that the City will provide a capital grant of \$1,060,000 (the "Capital Grant") to Red Door for the social housing units subject to the following:
- execution of the Grant Agreement with terms and conditions as outlined in this report;
 - registration of the Housing Agreement (as defined herein);
 - all funding/financing sources secured;
 - building permit issuance;
 - provision of an updated pro forma which reflects current project cost estimates (capital and operating), secured financing rates, target affordability and rent levels; and
 - agreement to reinvest any operating surplus, after adequate operating reserve and replacement reserve costs are accounted for, to enhance affordability in the project.
- B. THAT upon approval of RECOMMENDATION A, Council approve the Capital Grant, in the amount of \$1,060,000 (\$10,000 per studio and 1-bedroom unit, \$20,000 per 2-bedroom unit and \$30,000 per 3-bedroom unit) to Red Door to

support the construction of the Social Housing Units on the Lands. The source of funding for the capital grant is the Capital Budget for Non-market Rental Housing (Social Housing). Payment of the Capital Grant is anticipated in 2018 (following issuance of a building permit), and the corresponding annual expenditure budget will be established as part of the quarterly capital budget adjustment process.

- C. THAT the Director of Legal Services be instructed to secure the housing affordability offered by Red Door (the applicant) and described in the body of this report in the Housing Agreement to be entered into by the City by-law enacted pursuant to section 565.2 of the *Vancouver Charter*.

Approval of Recommendation B constitutes a grant and therefore requires an affirmative vote of at least two-thirds of all of Council pursuant to Section 206(1) of the *Vancouver Charter*.

REPORT SUMMARY

This report seeks Council approval of the Capital Grant to Red Door for the construction of the Social Housing Units on the Lands. Approval of the Capital Grant will assist with project viability. The application is in line with the Housing Infrastructure Grant guidelines.

COUNCIL AUTHORITY / PREVIOUS DECISIONS

In July 2011, Council endorsed the Housing and Homelessness Strategy 2012-2021, which includes strategic directions to increase the supply of affordable housing and to encourage a housing mix across all neighbourhoods that enhances quality of life. Priority actions were identified to achieve some of the strategy's goals, including refining and developing new zoning approaches, development tools and rental incentives to continue the achievement of securing purpose-built rental housing and using financial and regulatory tools to encourage a variety of housing types and tenures that meet the needs of diverse households.

In November 2017 Council approved a new 10-year strategy known as 'Housing Vancouver' with the aim of improving housing affordability by creating the right supply of homes to meet the needs of the people who live and work in Vancouver. An 'Emerging Directions' report was presented to Council in spring 2017 outlining initial proposals and priority actions. A further update was provided to Council in July 2017 detailing proposed targets of 72,000 new homes in Vancouver over the next 10 years. Of the 72,000 new homes target, 12,000 units are targeted for social and supportive housing. This application will make a significant contribution towards the City's social and supportive housing target.

On July 11, 2017, Council held a public hearing to rezone 870 East 8th Avenue to a new Comprehensive Development District (CD-1) to increase the floor area and height to enable a social housing development of 51 affordable units for families and seniors.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing.

REPORT

Background/Context

The Mount Pleasant Plan supports more affordable housing for low-to- middle-income households, especially families, seniors, new immigrants, and Aboriginal people.

The existing building on the Lands, Mi Casa, is comprised of 22 units, housing low-and moderate-income families in two-bedroom and three-bedroom units. The new development will include mixed income housing for seniors and families.

At the time of rezoning the applicant advised Council that they intended to seek a Housing Infrastructure Grant. The applicant has made application for the Capital Grant, being a \$1.06 million grant (\$10,000 per studio and 1-bedroom unit, \$20,000 per 2-bedroom unit and \$30,000 per 3-bedroom unit). Subject to Council approval, the Capital grant would assist with achieving project viability.

Housing Infrastructure Capital Grants

In situations where non-market housing projects are not viable, or where a City grant will assist in meeting the needs of low income households, Council offers capital grants to non-market housing operators. The grant is provided to ensure that projects can achieve financial viability or that their rents can be held at affordable levels.

Strategic Analysis

The Housing and Homelessness Strategy identifies a long-term target for 5,000 units of non-market housing (see Table 1). This project adds 29 net new units toward meeting that objective (existing building has 22 units).

Table 1: Progress toward Social & Supportive Unit Targets as set in the City's Housing and Homelessness Strategy 2012-2021 (September 30, 2017)

	TARGETS ¹		CURRENT PROJECTS ²	GAP	
	Long Term (2012-2021)	Short Term (2012-2018)	Committed, Under Construction and Completed	(2018 Target)	(2021 Target)
Supportive Housing Units	2,900	2,700	1,702	998	1,198
All Other Non-Market Housing Units	5,000	3,500	2,937	563	2,063
Total Non-Market Housing Units	7,900	6,200	4,639	1,561	3,261

¹ Targets are established in the 2011 City of Vancouver Housing and Homeless Strategy.

² Includes 29 net new social housing units at this project.

Housing Agreement and Rental Mix

The rezoning for this site was approved with conditions that include entering into a Housing Agreement (the "Housing Agreement") to secure all residential units for use as social housing. The Housing Agreement will stipulate that 43 percent (22 units) of the 51 Social Housing Units are occupied by households with incomes below the housing income limits as set out in the current "Housing Income Limits (HILS)" table published by the British Columbia Housing Management Commission or equivalent publication, at a rent which is no more than 30 percent of household income ("HILs Rents"). This project meets all other applicable preconditions in order to comply with the Development Cost Levy exemption provisions for social housing under the Vancouver Charter for the longer of 60 years or the life of the building.

At the time of rezoning the applicant advised Council that they intended to seek a Housing Infrastructure Grant. The applicant has made application for the Capital Grant, being a \$1.06 million grant (\$10,000 per studio and 1-bedroom unit, \$20,000 per 2-bedroom unit and \$30,000 per 3-bedroom unit). Subject to Council approval, the Capital grant would assist with achieving project viability.

Accordingly, staff are satisfied that the Capital Grant request meets the Housing Infrastructure Grant guidelines for social housing. Staff recommend that Council approve the requested Capital Grant subject to the Housing Agreement being registered on title to the Lands that secures all units as social housing, including 22 housing units to be offered at or below HILs Rents. Furthermore, the Grant Agreement would include a condition that any operating surplus, after adequate contributions toward the operating reserve and capital replacement reserve are accounted for, will be used to enhance affordability in the project.

Implications/Related Issues/Risk (if applicable)

Financial

One-time Capital

The 51 Social Housing Units in the Red Door project meet the definition of "social housing" and will qualify for DCL exemption under Section 523D (10)(d) of the *Vancouver Charter* and the *Vancouver Development Cost Levy By-law*. On this basis, the DCL exemption for the social housing is estimated to be \$655,518, to be confirmed at building permit stage.

The recommended Capital Grant, in the amount of \$1.06 million, represents \$10,000 per studio and 1-bedroom unit, \$20,000 per 2-bedroom unit and \$30,000 per 3-bedroom unit, in accordance with the current Housing Infrastructure Grant guidelines for social housing. The Capital Grant comprises about 4.5 percent of the estimated development cost (land and construction) for this social housing project. The source of funding for the Capital Grant is the Capital Budget for Non-market Rental Housing (Social Housing). Payment of the Capital Grant is anticipated in 2018, and the corresponding annual expenditure budget will be established as part of the quarterly capital budget adjustment process. The Capital Grant is conditional on the following:

- execution of the Grant Agreement with terms and conditions as outlined in this report;
- registration of the Housing Agreement;

- all funding/financing sources secured;
- building permit issuance;
- provision of an updated pro forma which reflects current project cost estimates (capital and operating), secured financing rates, target affordability and rent levels; and
- agreement to reinvest any operating surplus, after adequate operating reserve and replacement reserve costs are accounted for, to enhance affordability in the project.

Ongoing Operating

Consistent with Council policy, non-market rental housing projects are expected to be self-sustaining over the long term where rents 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 contributions and subsidies from the City.

Any operating surplus generated from this project, after adequate operating reserve and replacement reserve costs are accounted for, will be used to enhance affordability onsite.

CONCLUSION

The General Manager of Community Services recommends Council approve the Capital Grant to Red Door toward the redevelopment of the Lands which will provide social housing targeted to families and seniors. This Capital Grant contributes to project viability, maintaining the affordability as outlined at the time of rezoning.

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