



## REPORT

Report Date: October 15, 2020  
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Meeting Date: November 3, 2020  
[Submit comments to Council](#)

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 \$270,000 to the 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 3819 Boundary, legally described as PID: 014- 371-707 and 014-371-723; Lot 1 and the North 20.583 Feet of Lot 2, Both of Lot 1, Block A, North East  $\frac{1}{4}$  of Section 51, THSL Plan 1722.
- B. THAT Council approve a grant of up to \$2,955,000 to the Lookout Housing and Health Society ("Lookout") (a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 524-528 Powell Street, legally described as PID: 015-717-810; Lot A & B of Lots 5 & 6; and Lots 7, 8, 9 & 10, Block 53, District Lot 196 Plan 196.
- C. 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.
- D. 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.

- E. 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.
- F. THAT no legal rights or obligations are created by the approval of Recommendations A and B 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 and B 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 two Community Housing Incentive Program (CHIP) capital grants totaling \$3,225,000 towards the construction of 137 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. The sources of funding for the approved 2019-2022 Community Housing Incentive Program (CHIP) are derived from a combination of Empty Homes Tax funding and Development Cost Levies (DCLs) allocated towards housing.

**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 second set of projects to be put forward under the Community Housing Incentive Program. The grants will support the substantial investment of multiple partners to deliver two 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 |
|--|-----------------|--------------------------------|
| <b>Social, Supportive, and Co-op Housing Units</b> | 12,000          | 4,657                          |
| <b>Purpose-Built Market Rental Housing Units</b>   | 20,000          | 3,503                          |

The two developments include 137 social housing units which will help achieve the 10-year Housing Vancouver target of 12,000 new social and supportive housing units. One project is 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 is 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. On July 7, 2020, Council approved the first set of CHIP grants totalling \$8,710,000 towards the construction of 269 social housing units. An accompanying memo is being submitted to provide an overview of the rolling intake process and a list of project enquiries under consideration.

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**

#### *Lu'ma (3819 Boundary)*

The Lu'ma development proposes 23 units for Indigenous households, including families, seniors and single professionals, in the Renfrew-Collingwood neighbourhood. This application was initially received in July 2018 and was grandfathered under the previous Housing Infrastructure Grant Program, which utilized a fixed "per-bed" amount and applied to all rental units in a project. A grant of up to \$270,000 towards capital costs of the project is recommended based on the proposed unit mix (1-studios, 18-1BR and 4-2BR).

The project responds to Council's objective of creating additional housing options for urban Indigenous households and strengthening partnerships with Indigenous housing societies. This neighbourhood currently does not have other affordable housing options serving urban Indigenous households. The project is located in an area which is accessible for seniors and families, including transit and proximity to shopping and services. In terms of partnerships, the society is seeking capital funding from BC Housing and CMHC through their Indigenous housing programs.

A rezoning application for the site was approved in principle at public hearing on May 26, 2015 as secured market rental. This project was later picked up by Lu'ma and BC Housing and through minor amendments ultimately converted to a social housing project. A Housing Agreement is registered on title securing the social housing units for the greater of 60 years or the life of the building.

#### **Unit affordability summary**

|                     | <b>Studio</b> | <b>1BR</b> | <b>2BR</b> | <b>3BR</b> | <b>Total</b> |
|---------------------|---------------|------------|------------|------------|--------------|
| Shelter             | -             | -          | -          | -          | -            |
| HILs                | 1             | 6          | -          | -          | <b>7</b>     |
| Lower end of market | -             | 12         | 4          | -          | <b>16</b>    |
|                     | <b>1</b>      | <b>18</b>  | <b>4</b>   | -          | <b>23</b>    |

**Development funding summary**

|  |               |
|--|---------------|
| <b>Estimated development costs (\$m)</b>       |               |
| Land equity                                    | 3.4           |
| Development costs                              | 7.8           |
|  | <b>\$11.2</b> |
| <b>Anticipated sources of funding (\$m)</b>    |               |
| Land equity                                    | 3.4           |
| City of Vancouver Housing Infrastructure grant | 0.3           |
| BC Housing grant                               | 1.1           |
| Mortgage financing (City estimate)             | 6.4           |
|  | <b>\$11.2</b> |

**Lookout (524-528 Powell)**

The Lookout development proposes 114 units of social housing geared towards individuals experiencing homelessness and living with mental health and/or addictions 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 up to \$2,955,000 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 proposes a range of social services within the mixed-use development, including office space for non-profit services complementary to Lookout's programming, community space (including a commercial kitchen) on the ground floor and three small retail units fronting Powell Street. The Powell Street Getaway social service space currently located on-site will be relocated to a new space, without losing any community-serving space in the proposed new development.

The development permit application for the site was approved by the Development Permit Board on July 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 the deeper affordability levels set out in the Downtown Eastside plan.

**Unit affordability summary**

|                     | <b>Studio</b> | <b>1BR</b> | <b>2BR</b> | <b>3BR</b> | <b>Total</b> |
|---------------------|---------------|------------|------------|------------|--------------|
| Shelter             | 37            | 1          | -          | -          | <b>38</b>    |
| HILs                | 25            | 6          | 3          | 4          | <b>38</b>    |
| Lower end of market | 12            | 14         | 6          | 6          | <b>38</b>    |
|                     | <b>74</b>     | <b>21</b>  | <b>9</b>   | <b>10</b>  | <b>114</b>   |

**Development funding summary**

|  |                 |
|--|-----------------|
| <b>Estimated development costs (\$M)</b>         |                 |
| Land equity                                      | 4.4             |
| Development costs                                | 47.6            |
|  | <b>\$52.0</b>   |
| <b>Anticipated sources of funding (\$M)</b>      |                 |
| Land equity                                      | 4.4             |
| City of Vancouver CHIP grant                     | 3.0             |
| BC Housing contribution                          | 10.8            |
| Mortgage financing (City estimate)               | 16.5            |
|  | <b>\$34.7</b>   |
| <b>Required mortgage/ equity financing (\$M)</b> | <b>(\$17.3)</b> |

***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.

The following table summarized the funding and allocations to date of the 2019-2022 CHIP Program.

|                                   |                       |
|-----------------------------------|-----------------------|
| Approved funding <sup>1</sup>     | \$25.0 million        |
| Previously approved grants        | \$8.7 million         |
| Proposed grants                   | \$3.2 million         |
| <b>Remaining approved funding</b> | <b>\$13.1 million</b> |

<sup>1</sup> – The \$25 million 2019-2022 CHIP Program was funded with \$17 million of Empty Homes Tax revenue and \$8 million of DCLs allocated to housing

**CONCLUSION**

The two projects will serve Council's overall housing objectives by providing 137 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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