



## REPORT

Report Date: June 21, 2022  
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Meeting Date: July 19, 2022

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TO: Vancouver City Council

FROM: General Manager of Arts, Culture and Community Services

SUBJECT: Community Housing Incentive Program Grant

### **RECOMMENDATIONS**

- A. THAT Council approve a grant of up to \$4.8 million to First United Church Community Ministry Society ("First United Church"), a charity registered with the Canada Revenue Agency, to assist with the construction of the 103-unit social housing development at 320 East Hastings Street [PID: 031-308-236, Lot A Block 71 Plan EPP107810 DI Strict Lot 196 NWD Group 1] being developed in partnership with Lu'ma Native BCH Housing Society ("Lu'ma") (the "First United Church – Lu'ma Development");
- The source of the funding for the grant is a \$4.8 million increase to the multi-year capital project budget and annual expenditure budget for the 2019-2022 Community Housing Incentive Program, which is funded from the Empty Home Tax Reserve funds that are to be added to the 2019-2022 Capital Plan.
- B. THAT the Grant Agreement required to disburse the grant described in Recommendation A be on the terms generally outlined in this Report and otherwise satisfactory to the City's General Manager Arts, Culture and Community Services and Director of Legal Services.
- C. THAT the General Manager of Arts, Culture and Community Services (or their designate) be authorized to execute the Grant Agreement on behalf of the City.
- D. THAT no legal rights or obligations are created by the approval of Recommendation A, B, and C unless and until the City and First United Church execute and deliver the Grant Agreement and First United Church confirms the funding and financing sources for the First United Church – Lu'ma Development to the satisfaction of the Directors of Finance and Legal Services.

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

### **REPORT SUMMARY**

This report recommends Council approve a Community Housing Incentive Program (CHIP) capital grant totalling \$4.8 million to assist with the construction of 103 social housing units located in Vancouver. The capital grant would be payable after building permit issuance following execution of a Grant Agreement and confirmation of funding/financing sources for the development to the satisfaction of the City. A Housing Agreement has been registered on title for the development, 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.

**Downtown Eastside Plan (Downtown Eastside Oppenheimer Sub-Area 1)** – In 2014, Council approved the Downtown Eastside (DTES) Plan that sets a vision for the future of the DTES and aims to improve the lives of those who currently live in the area, including low and middle-income residents, the homeless, seniors, children and families. The goal of the Plan is to “enhance and accelerate a strategy to implement Council’s 2005 DTES Housing Plan: thereby improving the delivery of affordable market and social housing options for all residents, and to support local serving commerce, social services and cultural activities where all feel welcome, valued and at home.”

### ***CITY MANAGER'S COMMENTS***

The capital grant being recommended for approval in this report represents the fifth report brought forward under the Community Housing Incentive Program. The grant will support substantial investment of multiple partners to deliver on social housing projects targeted towards urban Indigenous residents and vulnerable persons in the Downtown Eastside with deep levels of affordability.

The City Manager RECOMMENDS approval of the foregoing.

### ***REPORT***

#### ***Background/Context***

##### Social Housing Targets

Housing Vancouver identifies the need for and targets the completion of 12,000 social, supportive and co-op 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 provider being recommended for funding in this report.

**Table 1: Progress Towards 10 Year Housing Vancouver Targets for Non-Market Housing as of March 31, 2022**

Housing Type	10-YEAR TARGETS	Units Approved Towards Targets
<b>Social, Supportive, and Co-op Housing Units</b>	12,000	7,129 units (59% towards targets)

*\*Note that tracking progress towards 10-year Housing Vancouver targets began in 2017, figures include Temporary Modular Housing*

## Community Housing Incentive Program (CHIP)

CHIP applications are accepted and reviewed on a project-by-project basis. Each project is evaluated individually under the CHIP framework, which prioritizes projects providing deeper levels of affordability beyond the minimum required, places greater emphasis on alignment with City housing and strategic objectives, as well as improved alignment with both Provincial and Federal funding programs. Successful applications are issued an 'approval in principle' letter to assist in leveraging senior government funding, and can only be brought forward for Council consideration once initial regulatory approval is in place, either a successful Public Hearing or approval by the Development Permit Board.

As the total value of CHIP applications currently exceeds the pool of remaining funds, staff have been prioritizing projects that are farther along in the regulatory process, those which will offer the deepest level of affordability overall, and which have or are expected to leverage senior government funding, which in the case of this project is based on early Community Housing Fund and Supportive Housing Fund announcements. Projects that align with the City's goal of reconciliation or which serve one or more target client groups who may face greater housing barriers continue to be prioritized.

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, CHIP allows 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. Staff recognize that there is significant demand on senior government programs at this time, and should applicants be unsuccessful in their applications to senior government, there may be a need to review and adjust the CHIP grant accordingly on an individual project basis. Additionally staff have updated the grant process to undertake a more rigorous review earlier on in the process to ensure no errors or omissions in the information provided. Should a project substantially change after a grant application has been made or an 'approval in principle' letter issued, a full review may be undertaken to determine if a project still meets the CHIP grant requirements.

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 and a cap on the capital grant that supports construction of each non-market unit renting at or below HILs rates. The City's early in-principle commitment to a project is meant to help obtain senior government funding through programs such as the BC Housing's Community Housing Fund, Supportive Housing Fund program or CMHC's Co-Investment Fund 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 etc.).

## **Strategic Analysis**

### **First United Church Community Ministry Society in partnership with Lu'ma Native BCH Housing Society, 320 East Hastings Street**

First United Church Community Ministry Society is, in partnership with Lu'ma Native BCH Housing Society, developing 103 social housing units for Vancouver's urban Indigenous residents in the Downtown Eastside. The project will deliver 49 units renting at or near the shelter component of income assistance and 54 units renting at a range of rents up to BC Housing Income Limit maximum rents. First United Church will lease a portion of the units to Lu'ma as an Air Space Parcel, with the other portion to be leased to the Provincial Rental Housing Corporation (PRHC). All units will be operated by Lu'ma. A grant of up to approximately \$4.8 million towards capital costs of the project is recommended based on the following proposed rents and unit mix:

#### *Unit affordability summary:*

<b>Unit Type</b>	<b>Shelter</b>	<b>HILs</b>	<b>LEM</b>	<b>Market</b>	<b>Total</b>
Studio	30	24	-	-	54
1-Bedroom	19	30	-	-	49
<b>Total</b>	<b>49</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>103</b>

The project responds to Council's Reconciliation objectives by creating additional housing options for urban Indigenous households and strengthening partnerships with Indigenous housing societies. The project also proposes a program space for First United's Social Service Centre that will be located on the first 4 floors and will include a drop-in space, a large dining room, a commercial kitchen, multipurpose space, a day sleeping area, a sanctuary, and administrative spaces.

The development permit application for this site was approved by the Development Permit Board on January 25<sup>th</sup>, 2021, and the Development Permit was issued on March 15, 2022.

In terms of partnerships, this project has been conditionally approved under the BC Housing Community Housing Fund (68 units) and Supportive Housing Fund (35 units) programs, and is seeking an operating subsidy under both programs to achieve the affordability levels proposed.

#### **Development funding summary**

##### **Estimated development costs (\$M)**

Land equity	11.7
Development costs	45.8
	<b>\$57.5</b>

##### **Anticipated sources of funding (\$M)**

Land equity	11.7
City of Vancouver CHIP grant	4.8
BCH Community Housing Fund grant	7.4
BCH Supportive Housing Fund grant	11.6
CMHC Seed Funding	0.1
CMHC Co-Investment (not confirmed)	5.1
DCL exemption	2.3
	<b>\$43</b>

<b>Required mortgage/equity financing (\$M)</b>	<b>\$14.5</b>
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### ***Financial Implications***

The City's capital grant contributions are conditional on execution of a Grant Agreement and confirmation of all funding/financing sources for the First United Church – Lu'ma Development secured to the satisfaction of the Directors of Finance and Legal Services and registration of Housing Agreements 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 the projects do not require operating subsidies, property tax exemptions, and/or financial guarantees from the City.

Prior to disbursement of the grant at Building Permit issuance for the 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 and the City;
- Confirmation of a registered Housing Agreement on title to secure affordability level of all homes;
- Confirmation of funding/financing sources for the development.

Approval of the \$4.8 million grant will require an increase to the 2019-2022 Capital Plan, the Multi-Year Capital Project budget and the Annual Capital Expenditure budget for the program. The \$4.8 million increase will be funded from the 2022 Empty Home Tax Reserve allocation of \$12.0 million for the Community Housing Incentive Program. After accounting for previous grant funding allocation and the proposed grant disbursement, a total of \$5.6 million funding is available for future grants.

### ***CONCLUSION***

The First United Church – Lu'ma Development will serve Council's overall housing objectives by providing 103 units of social housing at affordable rents focused on urban Indigenous residents. Staff recommend that Council approve the capital grant to assist the project with delivering deeper levels of affordability beyond the City's standard social housing definition.

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