



COUNCIL REPORT

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Meeting Date: April 9, 2024
[Submit comments to Council](#)

TO: Vancouver City Council
FROM: Armin Amrolia, Deputy City Manager
SUBJECT: Community Housing Incentive Program Recalibration

Recommendations

- A. THAT Council endorse the recalibration of the Community Housing Incentive Program (“CHIP”) as described in this report to improve alignment with senior government funding programs and better reflect current market conditions.
- B. THAT Council approve an increase to the multi-year budget of \$14 million to support the Community Housing Incentive Program in advance of requests for 2024 grant applications; source of funding to be the 2023-2026 Non-Market Housing Capital Grant program to support new or redeveloped partner units.

Purpose and Executive Summary

The intent of this report is to seek Council endorsement of the recalibration of the Community Housing Incentive Program (CHIP) to support affordable housing projects on non-profit owned land in Vancouver and budget approval in advance of requests for 2024 grant applications.

The proposed changes to CHIP incorporates feedback from the non-profit sector in two specific areas: i) how the City can support projects moving forward to construction through better alignment with the broader range of senior government funding programs now available; and ii) update the City’s maximum grant contribution to reflect current project cost assumptions.

Under the recalibrated CHIP, two application streams are available with different requirements under which applications will be evaluated and grant amounts will be assessed. Individual grant recommendations will be brought forward for Council’s consideration through future reports. Each recommended grant requires an affirmative vote by not less than two thirds of all Council’s members.

Council Authority/Previous Decisions

- [Housing Vancouver Strategy and Action Plan \(2017\)](#)
- [Housing Infrastructure Grant Framework Update \(October 2019\)](#)
- [Vancouver Housing Needs Report – \(2022\)](#)

City Manager’s Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

One key way the City delivers affordable housing is through ongoing collaboration with non-profit and co-op housing providers who play an important role in delivery of new affordable homes on City land and through development or redevelopment of their own land. CHIP grants strategically target the latter. These partnerships with non-profit and co-op housing providers help the City meet its housing targets, particularly targets related to social and supportive housing.

The CHIP framework, introduced in 2019, was designed to i) target support for deeper levels of affordability in non-profit and co-op housing projects, and ii) leverage senior government funding to advance affordable housing projects in Vancouver through upfront in-principle commitment of City contributions. At the time CHIP was being designed, it was most challenging to deliver housing units affordable to households with incomes below \$80,000; therefore, CHIP grants were specifically positioned to offset the capital costs of projects delivering units at this level of affordability.

Since the launch of CHIP in 2019, the number and value of grants increased significantly, funded primarily by Empty Homes Tax and development contributions. Council approved over \$32 million of grants from the 2019-2022 Capital Plan supporting nearly 800 units across 8 projects (see Appendix A). The 2023-2026 Capital Plan includes \$65 million contemplated for CHIP, and an initial allocation of \$16 million was approved as part the 2023 Annual Budget. Refer to Appendix A for a list of CHIP grants approved by Council.

Discussion

Economic viability of non-market projects in Vancouver and Senior Government Funding Programs

Since the launch of CHIP in 2019, there have been two key changes that warrant a holistic review and recalibration:

- 1) Significant construction cost escalation, operating cost inflation and successive interest rate hikes have made almost all non-market housing projects not viable, not just those delivering housing affordable to households with incomes below \$80,000; and
- 2) BC Housing launched the Community Housing Fund (“CHF”) and Indigenous Housing Fund (“IHF”) which offer significant capital grants, low-cost financing, and operating subsidies to achieve deep levels of affordability (20% of units at Income Assistance rates, 50% at Housing Income Limits(HILs) rates, and 30% at Low-End of Market rates),

but proposal calls have been limited and only a few projects are awarded funding in Vancouver.

As a result, very few non-market housing projects are able to proceed to construction unless they are successful in securing CHF or IHF funding. Consequently, non-market housing projects that are partially funded through other senior government programs are getting “stuck in the pipeline” and not being able to proceed to construction. If these economic conditions continue, it could further dampen affordable housing investment by the non-market sector.

Engagement with the non-profit housing development sector

To seek feedback on the City’s existing CHIP, two engagement were undertaken. A survey was distributed to non-profit and co-op housing providers and development consultants in the winter of 2022/23 soliciting input regarding their experience with the CHIP grant application process, and whether CHIP grants helped with project viability and construction start. In-depth discussions were held with housing providers, development consultants and senior government housing partners in 2023 to seek additional feedback.

Comments received from these engagements had similar themes, including:

- Broad satisfaction with the City’s review of applications and issuance of Approval-in-Principle letters early in the project development process, helping to leverage other funding opportunities.
- Grants need to be flexible enough to work in tandem with a variety of other funding opportunities, not just BC Housing’s CHF.
- Cost escalation and high interest costs challenge project viability requiring larger equity contributions, and consideration should be given to larger grant amounts and towards a broader spectrum of affordability delivered through non-market projects.
- Consideration of “inflationary adjustments” to the City grant contribution amounts, to help project viability in the face of inflation.
- Concern that CHIP grants directed to projects with senior government capital and operating subsidies (e.g. CHF and IHF funded projects) may have the unintended effect of displacing senior government funding rather than creating additional affordability.

Proposed Enhancements to CHIP

Staff have considered the input from the housing sector, current economic conditions and senior government funding programs, and are recommending the CHIP program be recalibrated to address the following primary objectives:

- 1) Provide capital funding that is flexible to support projects with different levels of affordability
- 2) Utilize CHIP to complement the patchwork of senior government funding programs to meet the City’s range of affordability objectives across unit types and rent mix
- 3) Optimize the City’s limited capital funding by:
 - Attracting senior government funding to projects in Vancouver
 - Leveraging funding from senior governments and non-profits, not displacing it

- Prioritizing shovel ready projects
- Prioritizing projects serving Indigenous and equity denied groups
- Continuing to prioritize funds towards non-market housing units serving households with incomes below \$80,000 (i.e. Housing Income Limits (HILs), Shelter component Income Assistance, and Disability allowance)

To achieve these objectives, Staff are recommending the creation of two capital grant streams to better align with available senior government funding programs and help leverage that funding to advance a range of affordable housing projects to construction in Vancouver:

- Stream 1 CHIP grants - for non-market housing projects that are self-sustaining, leveraging capital funding and low cost senior government financing; and
- Stream 2 CHIP grants - for non-market housing projects targeting a deep level of affordability that rely on ongoing operating subsidies from senior governments (e.g. BC Housing's CHF and IHF).

Stream 1 CHIP Grants

Stream 1 will provide capital grants to help the viability of non-market housing projects which deliver deeper affordability than comparable market rental housing. Stream 1 grants will complement senior government and non-profit capital contributions as part the stack of capital funding necessary to deliver non-market housing without external operating subsidies.

Grant contributions following Stream 1 will better integrate with and leverage projects primarily funded by CMHC's Co-Investment funding program, BC Housing's BC Builds program, and the Federation of Canadian Municipalities Green Grant program.

Primary senior government funding programs require minimum levels of affordability which may not meet the City's definition of Social Housing (30% of units at or below HILs), therefore the City's Stream 1 CHIP maximum grant will be notionally set to enable the affordability of these projects to meet the City's definition of Social Housing. Meeting the City's definition of Social Housing is not an eligibility requirement for Stream 1 but will form the priority criteria when evaluating grant applications. The City will evaluate opportunities with applicants to deliver additional affordability with a commensurate increase in CHIP grant funding for cost effective projects that leverage significant sources of additional funding.

Applications will primarily be accepted through an open and competitive proposal call process so the City's limited capital funding can be deployed effectively. A competitive call is proposed to be held annually for the remainder of the 2023-2026 Capital Plan with the first call targeted for Fall 2024. A maximum grant amount will be determined on an application-specific basis depending on the efficiency of the project, the breadth and depth of affordability proposed, additional funding sources leveraged, and readiness to reach construction start. Indicative grant values range from \$25,000/unit to \$38,000/unit; refer to Appendix B for summary by affordability. Maximum grant amounts per affordable unit will be determined in advance of each proposal call and will take into account changes in market conditions and impacts on core assumptions such as construction costs and operating costs between proposal calls.

Key eligibility and prioritization criteria that will be included in each Stream 1 proposal call have been summarized in Appendix C.

Stream 2 CHIP Grants

Stream 2 is focused on supporting non-profits and co-ops with projects in Vancouver to successfully secure senior government funding that delivers deep levels of affordability with capital and operating subsidies. There are few senior government funding programs that deliver deep levels of affordability with capital contributions and operating subsidies to ensure operational viability over the long term, particularly BC Housing’s CHF and IHF. For non-profits applying for funding through these senior government programs, Stream 2 CHIP funding can be provisionally secured in advance to improve the non-profit’s application.

Given these senior government funding programs have a prescribed level of affordability, Stream 2 CHIP will provide a fixed grant amount for every HILs and Income Assistance Rate home delivered by unit type, adjusted annually. For 2024, the recommended grant amounts are as follows:

Table 1: 2024 Stream 2 CHIP Grant Amounts by Affordable Unit

	HILs Unit	Income Assistance Unit
Grant per Affordable Unit	\$10,000	\$25,000

The City will accept Stream 2 CHIP applications on a time limited basis in advance of senior government funding proposal calls (e.g. CHF), estimated to occur annually for the next three years. If an applicant is unsuccessful in securing funding through these senior government funding proposal calls, they can re-apply for Stream 2 CHIP when the next application window opens.

Key eligibility and prioritization criteria that will be included in each Stream 2 proposal call have been summarized in Appendix D.

Recalibrated Guiding Principles

As outlined in this report, the CHIP framework as first introduced in 2019 was based on a core set of guiding principles:

1. Targeting City support for increasing affordability on non-profit and co-op housing projects.
2. Allowing for earlier in-principle commitment of City contributions.
3. Reflecting the City’s role and limited financial capacity to support non-profit and co-op housing projects, as compared to the Provincial and Federal governments.

As part of the proposed recalibration of CHIP, the following guiding principles are added:

4. Providing City support to advance non-market rental projects across a broader spectrum of affordability (as reflected in the Stream 1 parameters described above).
5. Prioritizing shovel-ready projects through the open and competitive call process

Grant Applications Received While CHIP Update Under Development

CHIP grant applications were submitted and reviewed by staff while CHIP was under review. For the applications that met the 2019-2022 CHIP eligibility criteria, 11 applicants were provided an ‘Approval in Principle’ letter confirming eligibility for a CHIP grant subject to meeting a number of conditions and Council approval. These applications are being considered as legacy applications under the previous program parameters, and any projects that are able to proceed will be brought forward as a separate report to Council.

Additionally, two CHIP grant applications were received that did not meet the 2019-2022 CHIP program eligibility criteria but were well aligned with the Stream 1 CHIP criteria outlined above. The applications were related to time-sensitive projects, therefore staff provided 'Approval in Principle' letters confirming eligibility for a Stream 1 CHIP grant subject to meeting a number of conditions and Council approval and will be brought forward as a separate report to Council.

Financial Implications

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.

The 2023-2026 Capital Plan includes \$65 million contemplated for non-market housing grant program to support new or redeveloped partner units funded by Empty Homes Tax, of which an initial allocation of \$16 million was approved in the 2023 Annual Budget. Approximately \$10 million of the \$16 million allocation in the 2023 Annual Budget has been committed towards non-profit projects that have received a valid Approval in Principle letter from the City for projects that have met all the necessary conditions for a grant under the 2019-2022 Program. The remaining \$55 million is recommended to be allocated across: Stream 1 CHIP, and Stream 2 CHIP.

Very few projects are approved each year by senior governments that deliver deep levels of affordability. As such, based on anticipated funding needs and projects within the existing pipeline, it is anticipated that the majority of funds will be allocated towards Stream 1 CHIP as follows.

Table 2: Anticipated CHIP Funding Allocation

	Successful Legacy Applications	Updated CHIP Stream 1	Updated CHIP Stream 2	Total
2024	Up to \$10 M*	\$19 M	\$1 M**	\$30 M
2025	-	\$14 M	\$3 M***	\$17 M
2026	-	\$15 M	\$3 M***	\$18 M
Total	\$10 M	\$48 M	\$7 M	\$65 M

**Estimate based on applicants' success securing sufficient funding to proceed and meeting conditions of AIP letter*

***To be available in advance of BC Housing 2024 IHF funding proposal call which closes in April 2024*

****Timing contingent on senior government proposal call timelines anticipated over the next three years (e.g. CHF)*

To facilitate grant applications planned for 2024, Staff recommend an increase of \$14 million in the multi year budget for non-market housing grants program to support new or redeveloped partner units for a total of \$30 million for allocation in 2024.

Successful grant applications will be brought forward for consideration by Council, with each grant requiring approval by not less than two-thirds of all Council's members.

To ensure that the grant funds are used for the intended affordability outcomes, prior to disbursement of any approved grants, the following must be completed:

- Execution of a Grant Agreement by the non-profit/co-op and the City;
- Registration of a Housing Agreement on title to secure affordability levels;

- Issuance of a Building Permit to Construct;
- Provision of an updated project pro-forma, budget before the start of construction supported by tendered construction pricing and documentation demonstrating that all sources of funding & financing necessary to proceed with construction of the Project (including equity contributions) have been secured.

Legal Implications

Grant Agreements will continue to be a pre-condition of disbursement, prepared to the satisfaction of the Deputy City Manager and the Director of Legal Services.

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APPENDIX A
Summary of approved CHIP grants (2019-2022)

Applicant	Project Address	Grant*	Shelter Units	HILs Units	LEM Units	Total Units	Status
Lee's Seniors Housing Society	838 E Hastings	\$655,000	13	27		40	Approved
Salvation Army (Harbour Light)	128 E Cordova	\$910,000*	23	23	-	46	Under construction
Aboriginal Land Trust/Lu'ma	52-92 E Hastings	\$6,255,000*	53	58	-	111	Under construction
Lookout Housing Society	524-528 Powell	\$2,955,000*	38	38	38	114	Under construction
Vancouver Native Housing Society	1766 Frances	\$5,120,000*	20	61	-	81	Under construction
Brightside (CPA)	2924 Venables	\$5,500,000	29	73	44	146	Approved
Soroptimist International	546 W 13th	\$6,000,000*	27	67	41	135	Under construction
First United Church / Lu'ma	320 E Hastings	\$4,800,000*	49	54	-	103	Under construction
Total 2019-2022 CHIP Grants		\$32,315,000	252	401	123	776	
Lu'ma Housing**	3819 Boundary	\$270,000*	-	7	16	23	Completed
Finnish Care Home**	2230 Harrison	\$890,000	-	25	47	72	DP application withdrawn
Subtotal carry over grants:		\$1,160,000		32	63	95	

*Indicates grant has been disbursed

**Carry over from previous Housing Infrastructure Grant Program

APPENDIX B
Stream 1 CHIP Estimated 2024 Grant Values

Sample project (100 units)	Estimated total grant	Grant / subsidised unit	Grant / unit
35% family units			
BC Builds (\$225k) -- 30% units @ 70% HILs	\$0	\$0	\$0
CMHC Co-I (\$75k) / FCM (\$45k) -- 40% units @ 100% HILs	\$380,000	\$9,500	\$3,800
CMHC Co-I (\$75k) / FCM (\$45k) -- 40% units @ 70% MMR*	\$2,580,000	\$64,500	\$25,800
CMHC Co-I (\$75k) / FCM (\$45k) -- 30% units @ 70% HILs + 10% @ 70% MMR*	\$3,530,000	\$88,250	\$35,300
CMHC Co-I (\$75k) / FCM (\$45k) -- 40% units @ 70% HILs	\$3,800,000	\$95,000	\$38,000

* CMHC 'Median Market Rent' (MMR) – Vancouver (CY) census subdivision, October 2023

APPENDIX C

Stream 1 CHIP Eligibility & Prioritization Criteria

Stream 1 CHIP applications must:

- Be submitted by a non-profit housing society or co-op
- Secure third-party funding to remain eligible
- Not rely on external operating subsidy for the project to remain financially sustainable at the target level of affordability
- Use grant for housing construction only (grant cannot be used for predevelopment costs)

Proposals will be prioritized and evaluated based on the following criteria:

- **Mandatory criteria**
 - Site must be zoned for the intended use
 - Other senior government funding provisionally secured for the project (e.g. Letter of Intent from senior government funding partner)
 - Project proforma demonstrates the project is not reliant on an ongoing operating subsidy to remain financially sustainable at the target level of affordability
 - Estimated development costs are supported by a Class B (or better) cost estimate prepared by a qualified professional
 - Applicant's delivery team (design, development, project management) is in place
- **Performance based criteria**
 - CHIP fund amount requested / affordable unit
 - Equity contributions from the applying non-profit
 - Number of family sized bedrooms proposed (i.e. number of 2 bedroom and 3 bedroom+ units)
 - Prioritization for projects delivering Indigenous housing, housing for other priority populations and green building
 - Permit and funding readiness
 - Project efficiency (e.g. cost / unit)

APPENDIX D

Stream 2 CHIP Eligibility & Prioritization Criteria

CHIP Stream 2 applications must:

- Be submitted by a non-profit housing society or co-op
- Be accessing senior government funding housing programs with capital funding and operating subsidies to deliver enhanced affordability (e.g. CHF, IHF)
- Have CHIP applications submitted to the City before submitting to the senior government funding program.
- Be successful in their senior government funding application to remain CHIP grant eligible
- Start construction within 24 months after senior government funding award
- Use grant for housing construction only (grant cannot be used for predevelopment costs)