

## REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, DECEMBER 06, 2023

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**SUBJECT**     **Major Capital Plan (2024-2028)**

### **ISSUE SUMMARY**

To request Capital Region Housing Corporation (CRHC) Board approval of the:

- Major Capital Plan (2024-2028) for development, redevelopment, and renewal projects; and
- Capital Funding Strategies.

### **BACKGROUND**

The CRHC is a wholly owned subsidiary of the Capital Regional District (CRD) with the mandate to develop and manage affordable housing to meet the needs of individuals and families residing within the capital region. In working to fulfill its mandate, the CRHC owns and operates over 1,900 units of affordable housing, providing homes to almost 4,000 residents of the capital region with low-to-moderate incomes. Additionally, on April 12, 2023, the CRD Board approved the 2023-2026 Corporate Plan, which included the following initiatives that are directly related to advancing the recommendations contained within this report:

- *5a-1 Increase supply of affordable, inclusive, and adequate housing across the region, and*
- *5b-1 Support continued investment into existing housing stock to preserve and enhance the quality of the buildings and units.*

Currently, the CRHC has 277 units under construction, 527 units in development and pre-construction. Staff have recently submitted grant applications that could provide an additional 717 new units of affordable housing by the end of 2028. The Major Capital Plan (2024-2028) inclusive of capital funding can be found in Appendix A.

In addition to the properties identified in this report, on April 17, 2023, the CRHC took possession of Prosser Place, a 51-unit affordable housing project located in Central Saanich. The acquisition took place through a Lease Agreement with the CRD and was funded through the Regional Housing First Program (RHFP) with supplemental funding through the Investment in Housing Initiative, Deepening Affordability, and Regional Housing Trust Fund (RHTF). Tenants started occupying the building in May 2023.

### **ALTERNATIVES**

#### *Alternative 1*

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Major Capital Plan (2024-2028) be approved; and
2. That the Chief Administrative Officer, or their duly authorized delegate, be authorized to apply for, negotiate and accept the terms to receive funds for up to six development projects through funding programs as necessary and as they become available.

*Alternative 2*

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Major Capital Plan (2024-2028) be approved as amended; and
2. That the Chief Administrative Officer, or their duly authorized delegate, be authorized to apply for, negotiate and accept the terms to receive funds for up to six development projects through funding programs as necessary and as they become available.

**IMPLICATIONS**

*Michigan Square*

The Michigan Square Redevelopment project is a 97-unit redevelopment in Victoria's James Bay neighbourhood. The redevelopment will see two four-storey wood frame apartment buildings constructed on top of the existing underground parkade. The project received \$4.5 million (M) in grant funding through the RHFP, \$1.1M through the RHTF, \$4.7M through Building BC: Community Housing Fund (CHF), \$620 thousand (K) through the Victoria Housing Reserve Fund (VHRF) and a \$1.0M equity contribution from the CRHC's Portfolio Stabilization Reserve. The final project budget of \$34.3M was approved by the CRHC Board in December 2021 and the CRHC will take on a mortgage debt of \$22.4M at BC Housing Management Commission's (BCHMC) preferred interest rates. BCHMC will be required to provide an annual operating subsidy to meet the debt servicing requirements. For 2024, the expenditures are expected to equal the total remaining project budget of \$6.4M.

Onsite, the building envelope of the 53-unit west building is complete and interior finishing work is underway. Installation of the building envelope is advancing on the 44-unit east building with mechanical and electrical rough-in work and drywall installation underway. Due to ongoing labour shortages that affect the speed of construction, the anticipated completion date has been pushed from February 2024 to April 2024. It is anticipated that the remaining contingency balance will be sufficient to cover any site overhead costs that result from this delay.

*Caledonia*

Caledonia, a 158-unit redevelopment in Victoria's Fernwood neighbourhood will increase the number of units on-site from 26 to 158 units, including 14 three-bedroom units and 8 four-bedroom units. The final project budget that was approved by the CRHC Board in June 2022 is \$71.0M and includes a \$1.0M equity contribution from the CRHC's Portfolio Stabilization Reserve, \$1.1M from the VHRF and \$18.5M from the CHF. The CRHC will take on a mortgage debt of \$50.5M at BCHMC's preferred interest rates and BCHMC will provide an annual operating subsidy to meet the debt servicing requirements. For 2024, the expenditures are expected to total \$32.0M with the remaining project budget of \$4.5M planned for 2025.

The redevelopment will include five new multi-family residential buildings, consisting of two apartment buildings and three townhouse blocks. Onsite, the parkade structure is complete and wood framing is nearing completion on the two apartment buildings and one townhouse block that sit on top of the parkade structure. Installation of the building envelope is underway on the two apartment buildings while foundation work for the two remaining townhouses is ongoing. Due to unforeseen subsurface conditions discovered during excavation, the anticipated completion date has been pushed from April 2025 to June 2025. It is anticipated that the remaining contingency balance will be sufficient to cover any site overhead costs that result from this delay.

Carey Lane

Carey Lane, an existing 22-unit CRHC townhouse complex will undergo a full building envelope remediation (BER) as well as upgrades to the ventilation, heating, and cooling systems. The final project budget of \$6.1M was approved by the CRHC Board in September 2023 and includes a \$600K equity contribution funded through the CRHC Portfolio Stabilization Reserve, and \$5.5M in the form of a forgivable mortgage through BCHMC's Capital Renewal Fund. The 2024 expenditures are equal to the remaining project budget of \$5.0M.

Work onsite commenced in November 2023 and the contractor is currently setting up scaffolding and proceeding with exterior demolition of building envelope components that have been identified for remediation. Construction is anticipated to be complete in Q4 2024.

Pandora

The Pandora project is a partnership between the City of Victoria, BCHMC and the CRHC to build non-market rental homes and create a new community space in the North Park neighbourhood. Once completed, the CRHC would lease an air-space parcel and operate approximately 158 affordable rental units. In July 2023, the Development Permit was issued through the City of Victoria's Rapid Deployment of Affordable Housing (RDAH) approval stream. Design work is ongoing and in December 2023, once the design documents have reached the Building Permit Application stage, project partners will work with a cost consultant to carry out a Class C estimate and update the preliminary budget. Staff will return to the Board mid 2024 to provide an update and amend budget if applicable.

The preliminary budget for the affordable housing component of this project is \$83.4M and includes \$25.0M in grant funding from the CHF and an anticipated \$1.3M from the VHRF. The CRHC will take on an estimated mortgage debt of \$57.1M and BCHMC will provide an annual operating subsidy to meet the debt servicing requirements. For 2024, the estimated expenditures total \$250K with the majority of the project expenditures planned for 2028.

Drake Road

Drake Road is a 5.5-acre property on Salt Spring Island that is owned by the CRD. In April 2023, the CRD leased the property to the Provincial Rental Housing Corporation to facilitate a development that would see 28 new permanent rental homes with supports. The proposed development would utilize the available groundwater source to service the project. To fulfill the original goal of providing 60-80 units of affordable housing on the property, CRHC staff have continued efforts throughout 2023 to locate additional groundwater that could service future development onsite.

Staff secured \$80K under the Community Works Fund (CWF) to facilitate additional groundwater exploration. Access limitations to the proposed drill site on the neighbouring property require CRHC to upgrade and extend the existing access trail. Costs associated for this work were not accounted for in the original budget. In 2024 staff will request additional funding through the CWF to account for the expanded scope of work. For 2024, the estimated expenditures are \$165K.

Campus View

Campus View, an existing 12-unit CRHC townhouse complex located in the Gordon Head neighbourhood of Saanich was identified as a high priority redevelopment site. The proposed design could increase the number of units onsite to 119 units, including 23 net-new 3-bedroom units of affordable housing. A Rezoning and Development Permit Application was submitted to

the District of Saanich (Saanich) in April 2022 and has since proceeded through staff review and approval from the Advisory Design Panel. Currently, staff are awaiting confirmation of the date when Saanich Council will review the Rezoning and Development Permit Application.

The project has secured \$9.6M through the RHFP, \$1.4M through the RHTF, \$200K through the Federation of Canadian Municipalities Green Municipal Fund (GMF) and \$63K through Canadian Mortgage and Housing Corporation (CMHC) Seed Funding. Staff have also requested \$893K in grant funding through the Saanich Housing Fund. Pending the Rezoning and Development Permit approval, staff will submit a subsequent application to the GMF that could provide up to \$5.0M in additional grant funding. Although staff have secured \$11.3M in grants with another \$5.9M identified through potential funding sources, the overall project budget continues to carry an equity gap of \$6.8M. Staff will continue to pursue all avenues for capital grant funding, including CMHC's National Housing Co-Investment Funding (NHCIF), to close the gap but at this time no new major grant funding sources have been identified outside of the programs listed in this report. The total redevelopment budget is \$55.6M and is based on the Class C estimate that was updated in October 2023. For 2024, the estimated expenditures are \$2.5M with \$19.1M, \$19.1M and \$14.4M in each of the following three years (2025-2027).

#### *Village on the Green*

Village on the Green, a CRHC owned and operated complex located in Victoria's Fernwood neighbourhood, was identified as a property with significant redevelopment potential. The proposed redevelopment will see the number of units increase from 38 to approximately 140 units, including 15 net-new 3-bedroom units. In July 2023, a Development Permit Application was submitted through the RDAH. Staff are now working with City of Victoria staff to address design review comments and finalize the Housing Agreement that will ensure CRHC operates the units as low-income rental housing.

The project has secured \$12.3M through the RHFP, \$1.7M through the RHTF, \$4.2M from the Growing Communities Fund, \$175K through the GMF and \$71K through CMHC Seed Funding. Pending the Rezoning and Development Permit approval, staff will submit a request for grant funding through the VHRF and a subsequent application to the GMF that could provide up to \$7.0M in additional grant funding.

Although staff have secured \$18.4M in grants with another \$7.0M identified through potential funding sources, the overall project budget continues to carry an equity gap of \$3.6M due to an updated Class C estimate that was based on the Development Permit drawings as well as an increased interest rate projection from BCHMC. Staff will continue to pursue all avenues for capital grant funding, including NHCIF, to close the gap but at this time no new major grant funding sources have been identified outside of the programs listed in this report.

The total redevelopment budget is \$64.8M and is based on the Class C estimate that was updated in October 2023. For 2024, the estimated expenditures are \$4.6M with \$19.0M, \$20.4M and \$20.4M in each of the following three years (2025-2027).

#### *New Redevelopment Projects*

Throughout 2023, CRHC staff advanced the feasibility analysis and preliminary design work for six potential development projects in anticipation of the 2023 CHF call for proposals. In November 2023, six proposals were submitted to BCHMC requesting funding through the CHF. Additionally, these proposed projects may be eligible for Project Development Funding (PDF) through BCHMC, regardless of the results of the CHF. PDF could provide up to \$500K per project to support early

development work. CRHC staff will pursue PDF in 2024 for five of the projects and continue to advance the six new development projects.

Of the six projects that requested CHF, one project has already received PDF, is in the schematic design stage, and is on track for a Rezoning and Development Permit Application in Q1 2024. As a result, a Class D estimate was carried out in October 2023 and the preliminary project budget of \$63.1M is accounted for within the New Redevelopment Projects line of Appendix A. The total budget for the New Redevelopment Projects is \$65.6M. For 2024, the estimated expenditures are \$4.0M with the remainder of the spending over the next four years (2025-2028). The other five future development projects that requested CHF, if advanced, could add an estimated \$400.0M to the 2025-2028 capital plan.

### **CONCLUSION**

The Major Capital Plan (2024-2028), when complete, will increase the CRHC's housing stock from 1,931 to more than 2,600 units while continuing to invest in the renewal and redevelopment of the existing CRHC portfolio. Additionally, staff have recently submitted grant applications that could see an additional 717 new units of affordable housing by the end of 2028.

In keeping with the 2023-2026 CRD Corporate Plan, throughout 2024, staff will continue to advance the Caledonia Redevelopment, the Michigan Square Redevelopment, and the Carey Lane BER through the construction phase; Pandora, Campus View and Village on the Green through the pre-construction and municipal approval phases and continue to pursue grant funding that is crucial to advancing the design work for six additional affordable housing projects.

### **RECOMMENDATION**

The Hospitals and Housing Committee recommends to the Capital Region Housing Corporation Board:

1. That the Major Capital Plan (2024-2028) be approved; and
2. That the Chief Administrative Officer, or their duly authorized delegate, be authorized to apply for, negotiate and accept the terms to receive funds for up to six development projects through funding programs as necessary and as they become available.

Submitted by:	Don Elliott, MUP, Senior Manager, Regional Housing
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### **ATTACHMENTS:**

Appendix A: Five Year Major Capital Expenditure Plan Summary (2024-2028)