

**REPORT TO CAPITAL REGION HOUSING CORPORATION BOARD
MEETING OF WEDNESDAY, DECEMBER 12, 2018**

SUBJECT Caledonia Redevelopment Project

ISSUE

To receive Capital Region Housing Corporation (CRHC) Board approval for the Caledonia Redevelopment Project and the provisional budget.

BACKGROUND

Caledonia is an 18-unit townhouse project at 1211 Gladstone Avenue in Victoria, built in 1992. The land is owned by School District 61 (SD61) and was leased to the CRHC for a 60-year term. CRHC has 34 years left on its leasehold agreement.

Caledonia was identified as a high priority for a building envelope remediation. In the October 2017 Board meeting, staff proposed redeveloping the property to include additional lots surrounding the property. Staff has since been in active negotiations with SD61, the City of Victoria (CoV) and BC Housing to consolidate several lots around Caledonia. SD61 would be the sole owner of the consolidated lot and CRHC would lease the consolidated lot from SD61 for a 60-year term. The land lease will be prepaid and serviced through debt financing which include the CRHC leasehold interest in the existing 1211 Gladstone Avenue. The terms and conditions of the lease between CRHC and SD61 are still under negotiation. Please see Appendix A for details of the Development Area.

The proposed development area is subject to rezoning, and if approved, would allow CRHC to increase the density of the site from 18 to 155 units. The current class D estimate of the project budget detailed in Appendix B is \$50.2M, inclusive of contingency.

On November 9, 2018, CRHC received confirmation of provisional project approval from the Building BC: Community Housing Fund (CHF). The project submission included \$15.5M forgivable mortgage capital grant and a \$32.4M repayable mortgage at BC Housing preferred interest rates (Appendix C: Building BC: Community Housing Fund (CHF) approval letter). CRHC will be responsible for a \$1.0M equity contribution and is pursuing \$1.3M in additional housing grants and allowances. BC Housing will also be providing an operating subsidy determined on the annual approved operating budget, and will cover the difference between revenues and expenses.

ALTERNATIVES

Alternative 1:

That the CRHC staff be directed to proceed with the Caledonia Redevelopment Project within the provisional budget of \$50,225,724.

Alternative 2:

That the project be referred back to staff for more information.

IMPLICATIONS

Social and Community Implications

The project proposal requires SD61, the CoV and BC Housing to consolidate several lots around Caledonia to create a 2.14 acre site. SD61 will transfer ownership of five of its nearby lots to the CoV, including the Heagart Park and the Compost Centre, in exchange for the four lots in the development area.

The Fernwood Neighbourhood Plan (FNP) has identified the development area as part of a site integrated plan with Victoria High School. CRHC's proposed lease of the lots surrounding Caledonia has offered an opportunity to make the grounds surrounding Victoria High School more community intensive, which is aligned with the FNP.

SD61's proposed acquisition of BC Housing's lot, in the development area offers an opportunity to maximize the use of the land on which an unoccupied building is at the end of its useful life.

Financial Implications

In order to proceed with development activity the proposed project budget of \$50.2M will be included in the Five Year Major Capital Plan submitted for approval to the Board on December 12, 2018. Although this is a Class D estimate at this time, provisional approval is required to proceed on this project. With Board approval of the project budget, staff will be able to proceed with the land consolidation, hiring the project team, land rezoning, and detailed design of the project. The number of units may change as staff goes through the public consultation and rezoning process.

At the end of the working drawings stage, staff will finalize its project budget, and seek BC Housing's approval of the final project budget, which includes approval of a forgivable and repayable mortgage and a mortgage subsidy.

Once the budget has been finalized and prior to the start of construction, staff will seek Board approval for an amended Class A project budget, and the associated mortgages. Please see Appendix D for a High-level Schedule that identifies the design phase in 2019, the construction starting in the summer of 2020 and completion in mid-2022.

CONCLUSION

The Caledonia project budget is \$50.2M. CRHC received confirmation of provisional project approval from the CHF. The project submission included a request for \$15.5M forgivable mortgage and \$32.4M repayable mortgage at BC Housing preferred interest rates. CRHC will be responsible for a \$1M equity contribution and is pursuing \$1.3M in additional housing grants and allowances. CRHC Board approval of the project budget is needed to advance the project.

RECOMMENDATION

That the CRHC staff be directed to proceed with the Caledonia Redevelopment Project within the provisional budget of \$50,225,724.

Submitted by:	Paul Kitson, Manager, Capital Projects, Regional Housing
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Concurrence:	Kevin Lorette, P.Eng., MBA, General Manager Planning & Protective Services
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Attachments: Appendix A - Development Area
Appendix B - Provisional Project Budget
Appendix C - Building BC: Community Housing Fund (CHF) approval letter
Appendix D - Preliminary Project Schedule