



**REPORT TO HOSPITALS AND HOUSING COMMITTEE
MEETING OF WEDNESDAY, SEPTEMBER 4, 2019**

SUBJECT **Regional Housing First Program Alternative Approval Process and Bylaw Amendments**

ISSUE

The Regional Housing First Program (RHFP) partners have been in negotiations to extend the program by contributing an additional matching grant of \$10 million (M) each for a total equity contribution of \$120M, with the intention of meeting the RHFP original goal of 400 units. For the Capital Regional District (CRD) to participate in this extension, it is required to amend both the Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010 and Loan Authorization Bylaw No. 3715.

BACKGROUND

In December 2015, the CRD approved a resolution supporting the borrowing of up to \$30M to establish the RHFP to meet the needs of chronically homeless individuals. CRD partnered with BC Housing Management Commission (BC Housing) and Canada Mortgage and Housing Corporation (CMHC) to obtain matching grants of \$30M. In total, the RHFP has \$90M committed from three levels of government. The Vancouver Island Health Authority (Island Health) has agreed to provide health supports to tenants as required.

The original program model provided an equity investment contribution of \$225 thousand (K) toward approximately 20% of units in each project, allocated for units rented at the provincial income assistance shelter rates. Under this model, the partners expected that the combined \$90M could leverage up to 2,000 units of housing with 400 of those units available at the provincial income assistance shelter rate. Due to increasing construction costs in the region, an amendment to the Definitive Agreement was signed with the partners in November 2018, increasing the equity contribution to \$300K per RHFP unit, which decreased the number of projected units to 300.

At the June 12, 2019 CRD Board meeting, the Board moved *“that the Chief Administrative Officer or delegate be authorized to negotiate with Canada Mortgage and Housing Corporation and BC Housing Management Commission to obtain a matching grant of \$10,000,000 for the Regional Housing First Program.”* If successful, this matching grant will enable the RHFP to reach its original goal of 400 units rented at the provincial income assistance shelter rate.

The CRD and its entities have proposed funding their \$30M as follows:

- CRD currently has the authority under the Land Assembly, Housing and Land Banking (LBH) service to borrow \$25M under *Establishment Bylaw No. 3712* (Appendix A) and *Loan Authorization Bylaw No. 3715*, using Municipal Finance Authority (MFA) debt financing. In 2015, \$9.5M was borrowed to purchase Capital Region Housing Corporation (CRHC) land from the Provincial Rental Housing Corporation. The remaining \$15.5M borrowing capacity was committed to the CRD RHFP equity contribution.
- The Capital Regional Hospital District (CRHD) is contributing \$10M, on the condition that their contribution be allocated to a project that is designated as a health facility, using MFA debt financing.

- The CRHC is contributing \$4.5M. CRHC will use equity from a CRHC property that has an expired CMHC operating agreement and matured 35-year mortgage.

The Regional Housing Trust Fund (RHTF) has prioritized \$4.8M of capital grant funding for RHFP projects.

The RHFP has currently approved \$248M worth of projects with a RHFP investment of \$54.5M for a total of 907 units, 211 of which are at the provincial assistance shelter rate. In order to meet the original goal of up to 400 provincial assistance shelter rate units, the CRD, BC Housing and CMHC's contributions would need to increase from \$30M to \$40M each for a total of \$120M.

ALTERNATIVES

Alternative 1:

That the Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4326, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 1, 2019 be introduced and read a first, second, and third time;
2. That Bylaw No. 4327, Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 2, 2019, be introduced and read a first, second and third time;
3. That elector assent for Bylaws No. 4326 and 4327 in the 13 municipalities be obtained via municipal council consent on behalf, according to section 346 of the *Local Government Act*; and
4. That elector assent for Bylaws No. 4326 and 4327 in the Electoral Areas be obtained via alternative approval process, according to section 345 of the *Local Government Act*.

Alternative 2:

That the Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4326, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 1, 2019 be introduced and read a first, second, and third time;
2. That Bylaw No. 4327, Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 2, 2019, be introduced and read a first, second and third time; and
3. That elector assent for Bylaws No. 4326 and 4327 be obtained via regional alternative approval process.

Alternative 3.

That the Hospitals and Housing Committee recommend to the Capital Regional District Board this matter not proceed.

IMPLICATIONS

Financial Implications

Estimated Cost of additional \$10M equity contribution and annual tax impact

The additional CRD equity contribution of \$10M would be debt financed through the MFA. The posted indicative rate for long-term (10-year) borrowing, as at July 23, 2019, is 2.42%. As the anticipated financing for CRD's additional equity contribution is spring 2022, a conservative rate of 3.5% with an amortization period of 15 years was modelled, resulting in an annual impact of \$887,666. Table 1 summarizes the estimated average annual cost per household across the region to service the cost of the incremental \$10M borrowing.

Table 1: Blended Regional Annual Tax impact

Alternative	Cost	Annual Tax impact on 2019 average residential assessment (\$779,233)	Annual Tax impact on \$100,000 of 2019 residential assessments
1	\$10,000,000	\$4.73	\$0.61

For estimated Municipal, Electoral Area and First Nations specific impacts, refer to Appendix D.

1.310 Land Assembly, Housing and Land Banking Maximum Requisition

The LBH service maximum allowable requisition at 2019 is \$3,881,512 (based on a property value tax rate of \$0.031 per \$1,000, applied to the net taxable value in the Service Area).

Table 2 summarizes the anticipated cost of debt and operating costs for the service based on the 2019 approved 5-year financial plan and the incremental \$10M contribution. The current maximum requisition capacity of \$3.8M is estimated to be sufficient and no amendment to the maximum requisition is required.

Table 2: Maximum requisition capacity

Expense	Annual cost \$
Existing debt (\$9.5M, 2.2%, 10 year amortization)	\$ 1,000,000
Committed debt (RHFP \$15.5M, ~3.5%, 15 year amortization)	\$ 1,375,882
Additional debt (RHFP \$10M, ~3.5%, 15 year amortization)	\$ 887,666
Total Debt	\$ 3,263,548
LBH Administrative Expense	\$ 482,000
Total estimated requisition capacity required	\$ 3,745,548
Maximum Requisition – 2019 baseline	\$ 3,881,511
Requisition capacity/(deficiency)	\$ 135,963

Table 3 summarizes the anticipated 1.310 (LBH) and 1.311 (RHTF) requisitions for illustrative purposes. It clarifies the anticipated timing of requisition impacts: debt servicing, maturity of debt, and requisition capacity from suspending the RHTF. It should be noted that the RHTF is a sub-regional service whereas LBH is a regional service.

Table 3: Anticipated requisition 5-year forecast

1.310 LBH Regional Housing	Debt	2019	2020	2021	2022	2023
Existing Debt*	9,500,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Committed RHFP Debt	15,500,000				1,375,882	1,375,882
LBH Administrative Expense**		442,335	464,070	473,000	482,000	492,000
LBH requisition		\$ 1,442,335	\$ 1,464,070	\$ 1,473,000	\$ 2,857,882	\$ 2,867,882
LBH % increase/(decrease)			1.5%	0.6%	94.0%	0.3%
Additional RHFP Debt	10,000,000	-	-	-	887,666	887,666
Revised LBH requisition		\$ 1,442,335	\$ 1,464,070	\$ 1,473,000	\$ 3,745,548	\$ 3,755,548
Revised LBH % increase/(decrease)			1.5%	0.6%	154.3%	0.3%

* Existing debt (10yr term) expires 2025

** Estimated LBH Administrative Expense

1.311 Regional Housing Trust Fund		2019	2020	2021	2022	2023
RHTF Annual Capital Grants	n/a	1,000,000	1,000,000	1,000,000	-	-
Total Requisition	n/a	1,000,000	1,000,000	1,000,000	-	-
% increase/(decrease)		0%	0%	0%	-100%	0%

Legislative Implications

The current Land Assembly, Housing and Land Banking service is the authority under which the CRD operates the RHFP. This service operates under two main bylaws, an establishing bylaw and a loan authorization bylaw. In order to increase the funding from \$30M to \$40M, and make other changes related to borrowing terms and housing agreement terms, the CRD would need to amend the establishing bylaw (amendment Bylaw No. 4326 attached as Appendix B) and adopt a new loan authorization bylaw (new Bylaw No. 4327 attached as Appendix C) which would then allow the CRD to borrow up to \$10M for use in the RHFP.

The *Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010* requires amendment, as it contains two redundant provisions. The first caps borrowing at \$25M. As set out in the *Local Government Act*, the decision on whether or not to proceed with borrowing is a decision of the electors, as limited by the debt-servicing that may be performed under an establishing bylaw's maximum requisition. The Board may exercise its discretion on whether or not to borrow to the electors, but as a best practice, should not have this discretion limited by an establishing bylaw, as such making it redundant.

The second provision limits the duration of housing-related agreements to a period of 25 years. Pursuant to the current *Local Government Act*, the Board may enter into agreements for any duration it chooses and as described in each housing agreement, which must be adopted by bylaw. This provision should be altered to reflect this.

According to the *Local Government Act*, the amendments to both bylaws requires Inspector of Municipalities approval and would require elector assent. The assent options, including costs and length of process, are outlined in Table 4.

Table 4: Bylaw Amendment Process

Bylaws	Possible Methods of Elector Assent (defined below)	Cost	Process Length
No. 3712, Land Assembly, Housing and Land Banking Service Establish	Consent on behalf of Electors	None	3 months
	Region-wide AAP	Approx. \$40K	6 months
	Referendum	Approx. \$100K	6+ months
No. 4327, Loan Authorization Bylaw	Consent on behalf of Electors (<i>Municipalities only</i>)	None	3 months
	Region-wide AAP	Approx. \$40K (\$20K if only for the Electoral Areas)	6 months
	Referendum	Approx. \$100K (\$40K if only for the Electoral Areas)	6+ months
<p>Elector Assent Definitions:</p> <p>Consent on behalf of electors: Municipal councils (and in the case of amending the service establishment bylaws, electoral area directors also) pass a resolution to approve the bylaw amendments; 2/3 of the participants must consent.</p> <p>Alternate Approval Process (AAP): Statutory ads are placed that provide notice of the proposed amendments. If electors object, they complete a form and submit it to the CRD. If more than 10% of eligible electors object, the Board may choose to not proceed or would have to obtain assent via a referendum.</p> <p>Referendum: An election by ballot to obtain majority approval of eligible electors.</p>			

Obtaining elector assent in the electoral areas is only available via AAP or referendum. An AAP requires that less than 10% of the eligible electors in each electoral area object by way of an elector response form.

Obtaining elector assent in the municipalities is possible via AAP, referendum or by municipal consent on behalf. The recommendation is that the CRD Board send a request to each municipal council for their consent to the establishing bylaw and the loan authorization bylaw.

In order for the bylaws to be adopted, consent is required from a minimum two-thirds of all 16 participants – or more than 11 of the 16 total municipalities and electoral areas from combinations of:

- i) less than 10% response rate for each electoral area AAP (possibly 3 total)
- ii) municipal council consent (possibly 13 total)

Intergovernmental Implications

BC Housing has agreed to increase the contribution from \$30M to \$40M predicated on an equal contribution from the CRD (Appendix E). BC Housing's contribution will be contingent on the requirements of the Building BC Program Framework. Building BC funding will align with the innovative collaboration between three levels of government with respect to the objectives of the RHFP as demonstrated in Phase 1 of the initiative. A partnership between the CRD and BC Housing exclusively would increase the total RHFP contribution from \$90M to \$110M or 366 income assistance rate units. In order to reach the original goal of 400 units, an additional \$10M contribution would be required.

CRD staff, in collaboration with BC Housing, have submitted a business case to CMHC to attain their commitment. CMHC has not yet committed to funding the additional \$10M in matching funds. The request is currently under evaluation. BC Housing has agreed to work with the CRD to pursue an additional contribution from CMHC's Innovation Fund.

Risks

1. Currently, RHFP projects that are within the RHTF jurisdictions have had access to the RHTF to provide additional equity to the project and to lower the affordable housing units' rents. There will only be an estimated \$300K available in the RHTF in 2021 due to these projected prioritized allocations. This projected allocation takes into consideration projects procured through the current \$90M. This will not be available on projects procured with the additional \$30M and could have an impact on project feasibility.
2. Continued increases in building costs could make it financially difficult to identify projects that meet the affordability requirements.
3. The municipal consent/AAP process will delay the approval of funds from the CRD until early 2020. This delay puts pressure on the timeline to find and approve projects to be under construction by December 31, 2021.

Due to lower projected interest rates, it is anticipated that the above risks may be mitigated with lower debt financing costs and the partners are confident that the 400 units target will be reached.

Social Implications

The additional contribution to this program will add housing units to the region, including the CRHC housing stock that are critical to meeting the needs of people experiencing chronic homelessness in various parts of the region. Tenants will be selected from the Coordinated Access and Assessment waitlist system governed by BC Housing, Island Health and the CRD and operated by BC Housing. Support service needs will be determined through an assessment and will be provided by Island Health as required. The addition of these units will help improve the quality of life for households needing access to affordable rental housing units as well as improve general quality of life in the region.

Next Steps

If the elector assent methods of municipal consent on behalf, and electoral area AAP is consented to by two-thirds of the members present, a report will come to the October Board meeting with the AAP elector assent notices and forms for approval.

CONCLUSION

In order to reach the original goal of 400 units, there would be a requirement to increase the total contribution to \$120M. The CRD contribution will be funded through the LBH service which allows for a maximum loan of \$25M which is already fully committed. In order to increase the CRD's RHFP funding contribution from \$30M to \$40M, and make other changes related to borrowing and housing agreement terms, the CRD would need to amend the current establishing bylaw and adopt a new loan authorization bylaw for the additional \$10M. Staff are recommending that the Board approve the bylaws to advance the municipal consent on behalf and electoral area AAP. Staff will continue to work with BC Housing to engage CMHC for the additional \$10M.

RECOMMENDATIONS

That the Hospitals and Housing Committee recommends to the Capital Regional District Board:

1. That Bylaw No. 4326, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 1, 2019 be introduced and read a first, second, and third time;
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Concurrence:	Christine Culham, Acting General Manager, Planning & Protective Services
Concurrence:	Kristen Morley, JD, General Manager, Corporate Services & Corporate Officer
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
Concurrence:	Larisa Hutcheson, MCIP, RPP, Acting Chief Administrative Officer

CC:ce

Attachments:

- Appendix A: Bylaw No. 3712, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010
- Appendix B: Bylaw No. 4326, Land Assembly, Housing and Land Banking Service Establishment Bylaw No. 1, 2010, Amendment Bylaw No. 1, 2019
- Appendix C: Bylaw No. 4327, Land Assembly, Housing and Land Banking Loan Authorization Bylaw No. 2, 2019
- Appendix D: Estimated Municipal, Electoral Area and First Nations requisition impacts
- Appendix E: Confirmation Letter of BC Housing Funding