

## **REPORT TO HOSPITALS AND HOUSING COMMITTEE MEETING OF WEDNESDAY, DECEMBER 04, 2019**

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### **SUBJECT     Major Capital Plan (2020-2024)**

### **ISSUE SUMMARY**

To update the Capital Region Housing Corporation (CRHC) Board on the status of the:

- 2020-2024 Major Capital Plan for seven development and redevelopment housing projects and one Building Envelope Remediation (BER); and
- Capital Funding Strategies.

### **BACKGROUND**

#### Development and Redevelopment

In August 2016, the Board approved the *CRHC Portfolio Renewal, Redevelopment and Development Strategy* (2016-2021) (RRD) that included advancing two development and two redevelopment projects: Westview, Drake Road, Michigan Square and Caledonia. Funding approval was given to Westview through BC Housing's *Investment in Housing Innovation* (IHI) and to Caledonia through the *Building BC: Community Housing Fund* (CHF).

In 2018, Michigan Square and Drake Road "*satisfied the necessary requirements in order to be given consideration for further review*" through BC Housing's CHF. In 2019, staff applied for Project Development Funding (PDF) in the form of a repayable loan to be recovered through the construction financing, and received approval of \$250 thousand (K) for Michigan Square (Appendix A). Staff applied for PDF for Drake Road but withdrew the application and have applied for cost recovery for incurred expenditures. CRHC also received Canada Mortgage and Housing Seed Funding for \$50K in 2019.

In 2020, the CRHC will acquire a Regional Housing First Program (RHFP) property (130 units) that is currently under development at Spencer Road and in 2021, the CRHC will acquire two RHFP properties that are currently under development: Hockley Avenue (120 units) and West Park Lane (152 units).

#### Renewal

The *RRD Strategy* (2016-2021) also identified one BER to be completed. Carey Lane was identified as the priority property for a BER in 2019. The BER has been deferred to 2021 due to challenges identified with the National Housing Co-investment Fund (NHCF) Housing Repair and Renewal Stream.

### **ALTERNATIVES**

#### *Alternative 1*

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

- a) That the 2020-2024 Major Capital Plan be approved; and

- b) That the Chief Administrative Officer be authorized to execute the \$250,000 BC Housing Management Commission Project Development Funding Repayable Loan for Michigan Square.
- c) That the Senior Manager Regional Housing be authorized to submit applications for the Michigan Square redevelopment to the Building BC: Community Housing Fund, the Regional Housing First Program and additional funding programs.

#### *Alternative 2*

That the Major Capital Plan (2020-2024) report be referred back to staff for revisions based on Hospitals and Housing Committee direction.

### **IMPLICATIONS**

#### *Financial Implications*

Detailed information for the 2020-2024 Major Capital Plan can be found in Appendix B.

#### Westview (Development)

Westview, a 73-unit development at 3816 Carey Road, was approved for funding through IHI. Westview has a final project budget of \$21.1 million (M), including a \$4.5M land valuation. The approved project budget included a CRHC \$1.0M equity contribution, a repayable \$8.5M first mortgage, and a forgivable \$7.2M second mortgage in favor of BC Housing. Westview is currently under construction and is expected to be commissioned in May 2020. The estimated expenditures at December 31, 2019 are \$11.0M. The anticipated expenditures for 2020 are \$5.6M.

#### Caledonia (Redevelopment)

Caledonia, a 154-unit development in the Fernwood neighbourhood, received provisional project approval from the CHF. The provisional project budget is \$59.5M. The project submission included a CRHC \$1.0M equity contribution, a request for \$1.2M through the Victoria Housing Reserve Fund, a \$15.4M forgivable mortgage and a \$41.8M repayable mortgage at BC Housing preferred interest rates. BC Housing will be required to provide an annual operating subsidy of \$1.1M to meet its debt servicing requirements. The estimated expenditures at December 31, 2019 are \$350K. The anticipated expenditures for 2020 are \$4.9M.

#### Michigan Square (Redevelopment)

The Michigan Square property has also been identified as one of CRHC's redevelopment projects. Staff submitted an application to the CHF to redevelop the property to increase the density from 62 units to 106 units, for a total project cost of \$38.1M. Michigan Square "*satisfied the necessary requirements in order to be given consideration for further review*" through BC Housing. The CRHC Board approved a \$1.0M equity contribution. CRHC received confirmation that BC Housing will provide \$250K in Project Development Funding (Appendix A), in the form of a repayable loan. The estimated expenditures at December 31, 2019 are \$248K. The anticipated expenditures for 2020 are \$800K. Staff are requesting authorization to apply through the CHF or RHFP for this project. Spending will be dependent on whether capital funding for the project is approved.

Drake Road (Development)

The initial development proposed 80 units. Staff had proposed reducing the number of units from 80 to 30 units for Phase 1 of the project due to water availability. In 2019, staff continued ground water exploration works and have identified a potential water source. In 2019, the estimated expenditures are \$75K; \$33K was recovered through Community Works Funds (CWF). Staff are recommending that the balance be funded through the Capital surplus funds. Staff will be applying to recover the balance through BC Housing. If successful, the funds will be returned to the surplus funds. Staff continue to explore options for Drake Road.

Spencer Road (RHFP)

In 2020, CRHC will acquire a property in Langford at 2763 Spencer Road with 130 units through a lease agreement under the Capital Regional District (CRD) RHFP. CRHC will take on a mortgage debt of \$30.1M for this property.

Hockley Avenue (RHFP)

In 2021, CRHC will acquire a property in Langford at 830 Hockley Avenue with 120 units through a lease agreement under the CRD RHFP. CRHC will take on a mortgage debt of \$25.5M for this property.

West Park Lane (RHFP)

In 2021, CRHC will acquire a property in View Royal called West Park Lane, with two buildings totalling 152 units through a 60-year lease agreement under the CRD RHFP. CRHC will take on a mortgage debt of \$30.8M for this property.

Carey Lane (BER)

Carey Lane was identified as a priority for a BER to be completed in 2019. The estimated cost of the BER was \$2.4M. In 2018, the Board approved a contribution from the Portfolio Stabilization Reserve totalling \$600K and to apply for the NHCF Housing Repair and Renewal Stream - contribution and loan.

Upon evaluation of the program, in consultation with CMHC staff, it was determined that the remediation stream of the NHCF is flawed due to its requirement that 20% of the units are made fully accessible as part of the remediation. The challenges with the program include:

- The creation of the accessible units is not architecturally possible with the townhouse units that were constructed in 1984;
- Current tenants do not require this type of accommodation, and, if renovated, their units would be less functional; and
- The funding available for the NHCF is not sufficient and would cover only CMHC's accessibility requirements and not the BER.

Staff will work with BC Housing to identify a funding/financing strategy for the Carey Lane BER and will return to the Board for approval.

Future Projects

Staff are currently reviewing potential projects. Staff will return to the Board with a capital plan amendment if projects are deemed feasible.

Based on the 2020-2024 Major Capital Plan, CRHC housing stock will increase from 1,418 to 2,019 units.

## **CONCLUSION**

In August 2016, the Board approved the *RRD Strategy (2016-2021)* that included advancing four development and redevelopment projects: Westview, Drake Road, Michigan Square and Caledonia and to complete a BER at Carey Lane. Westview and Caledonia have received funding approval through BC Housing. Westview is scheduled to be completed in May 2020. Michigan Square has received approval for a PDF repayable loan. Staff continue to explore options for Drake Road. Caledonia received provisional approval from BCF.

In 2020 CRHC will acquire one turn-key property (Spencer) and in 2021 two turn-key properties (Hockley and West Park Lane) will be acquired through the RHFP.

The 2020-2024 Major Capital Plan, when completed, will increase the CRHC housing stock from 1,418 to 2,019 units while continuing to invest in the renewal of the current housing stock.

## **RECOMMENDATION**

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

- a) That the 2020-2024 Major Capital Plan be approved; and
- b) That the Chief Administrative Officer be authorized to execute the \$250,000 BC Housing Management Commission Project Development Funding Repayable Loan for Michigan Square.
- c) That the Senior Manager Regional Housing be authorized to submit applications for the Michigan Square redevelopment to the Building BC: Community Housing Fund, the Regional Housing First Program and additional funding programs.

Submitted by:	Christine Culham, Senior Manager Regional Housing
Concurrence:	Kevin Lorette, P. Eng., MBA, General Manager, Planning & Protective Services
Concurrence:	Nelson Chan, MBA, CPA, CMA, Chief Financial Officer
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## **ATTACHMENT(S)**

Appendix A: BC Housing PDF Loan Approval for Michigan Square Redevelopment  
Appendix B: Five Year Major Capital Plan Summary (2020-2024)