



# Wiser Projects

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Local Trust Committee  
Islands Trust - Mayne Island Trust Area  
Sent via email

March 16, 2022

## **RE: Affordability and Rental Structure: Mayne Island Housing Society (MA-RZ-2020.1)**

Dear Trustees,

I am writing on behalf of the Mayne Island Housing Society (MIHS) regarding their project and associated rezoning application for 375 Village Bay Road. The purpose of this letter is to:

- Update the LTC on work that the project team has underway,
- Update the LTC on the affordable housing landscape in the context of Mayne Island; and
- Request a delegation to the March 28<sup>th</sup> LTC meeting to present the information in this letter in more detail

### **Project Update**

The MIHS team has been working towards several key components of the project, including a Water Management Plan (WMP), a water data logger report, and an updated site plan. All of the work in progress has been implemented not only as due diligence and project planning, but also to address the public's and the LTC's concerns about the project. The MIHS team believes that the work being done now will strengthen the project and reduce impacts on neighbours. We look forward to bringing these updates forward in the future, with the goal of moving this much-needed community project forward.

### **Funding Context**

When MIHS first envisioned this project, and at the time of their rezoning submission, it was expected that the project would receive BC Housing funding through the Community Housing Fund (CHF). This is a mixed-income housing model with a mix of deeply subsidized units, rent geared to income (RGI) units, and affordable market units. CHF funding entails a capital contribution and a mortgage through BC Housing.

However, the results of the last round of CHF funding indicates that the program is significantly over-prescribed. Our understanding is that hundreds of projects applied for funding and only a fraction of the projects that applied were ultimately funded on Vancouver Island. Funding through the remaining program dollars would only allocate another 1,500 units for the whole Vancouver Island region (which includes the Gulf Islands) and the demand has already far outpaced the supply of funding. The funding call has become incredibly competitive and BC Housing has tended to focus on larger projects that are delivering a large number of units.

As a result, MIHS is in the process of exploring other funding options for their affordable housing project. Canada Mortgage and Housing Corporation (CMHC) offers funding and financing through their Co-Investment program; and the Federation of Canadian Municipalities offers funding and financing for highly energy efficient affordable homes through their Green Municipal Fund. However, securing funding before a rezoning is complete is unlikely. Below are two funding scenarios to help the LTC understand what the affordability of the units might look like, depending on the funding MIHS can secure.

### **Scenario 1: BC Housing CHF**

While CHF funding remains uncertain, it may be worth applying for funding if the funding call opens this year. The further advanced the project is in the development process, the better the chances at securing funding, as BC Housing tends to fund "shovel-ready" projects. If BC Housing funding was secured, the project could move forward with rental prices ranging from deep subsidy units (currently \$375/month for studios and 1-bedrooms), to RGI units (where residents pay no more than 30% of their income on rent) to units that are approximately 10% below market rental rates. Note that RGI and affordable market units are tied to incomes and the market rents, and are subject to change over time.

In the last funding call (released in 2020), this fund had a prescriptive rental structure where 50% of the units are Rent Geared to Income (RGI); 20% are deep subsidy units; and 30% of the units are affordable market units. It is expected that the next funding call will have a similar rental mix, but it is entirely possible that there will be a different prescriptive rental structure.

### **Scenario 2: CMHC Co-Investment**

If the project is unsuccessful in securing BC Housing funding, it will still be eligible to apply for CMHC Co-Investment funding, as the land contribution from Dr. McHugh is considered an eligible partnership.

CMHC does not have a prescriptive rental structure, but has a minimum affordability requirement in order to be eligible:

- At least 30% of the units must be rented at 80% of the Median Market Rent (MMR) or less
- The average affordability of the project, across units, must be no more than 80% of the MMR

MMRs are determined by CMHC based on market conditions and are typically updated on a yearly basis. It is important to note that the MMR for a given area is often lower than what is actually found on the market and available to rent, as it is calculated on both occupied and vacant unit rents. This means that a unit renting at 80% of the MMR is substantially lower than what one could expect to find on the market.

While that is the minimum required level of affordability to apply, a project would be more likely to be approved for funding, and would receive a larger contribution, if the depth of affordability is increased. MIHS will be pursuing options for additional capital injections to lower the mortgage that would be required and to deepen the levels of affordability.

## Scale of Housing Crisis

In ideal circumstances, MIHS would develop this project to offer the most affordable rental rates possible to residents of Mayne Island. However, the confluence of the housing crisis, the cost of construction, and the lack of government capital dollars are creating a situation where MIHS will have to balance between market and affordable units to ensure the project is viable. Housing is often conceptualized as a spectrum or continuum in terms of affordability. While this project may not be able to offer all units at deeply subsidized rates, all units will be considered affordable on the spectrum of housing. Figure 1 below illustrates one version of the housing continuum. The exact mix of affordability will be determined based on the funding that MIHS secures, but units will likely range from “Social and Subsidized Housing” to “Below Market Rental Housing”.

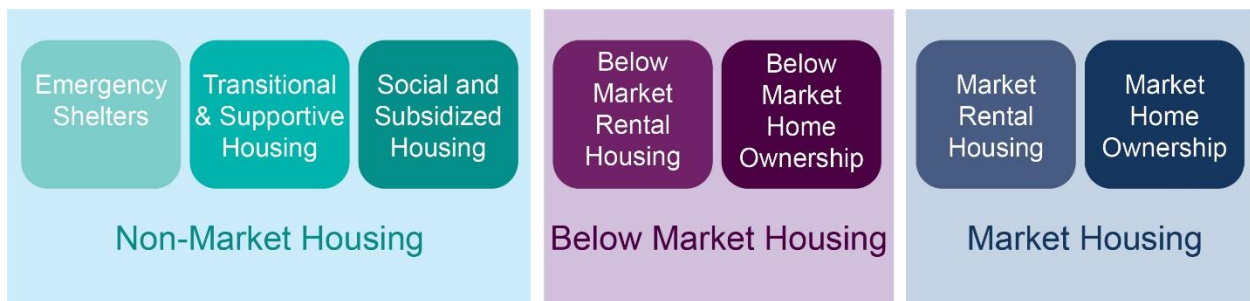


Figure 1: Continuum of Housing Affordability. (Source: Saanich Housing Strategy)

The housing crisis has reached unprecedented levels in the region and across BC, with both sale prices and rental rates at all-time highs. It has reached such heights that even market rental units would be a benefit to the Mayne Island community because of the lack of a stable rental stock. The Village Bay Road project has the opportunity to fill a gap and provide desperately needed rental housing, which would go beyond the benefit of rental housing by providing secured affordable units.

## Implications for housing agreement

We understand that the LTC and Islands Trust want to ensure that this project is developed to be affordable rental housing and as a benefit to the community, and is seeking to reduce the risk of development that does not meet the community needs – such as condos, luxury rentals, or short-term rentals. A housing agreement is a standard way that local governments ensure that projects remain as affordable, as rentals, or as both for a specified period of time. However, the current draft of the Housing Agreement proposed by Islands Trust staff is overly restrictive and would result in significant risk to the project and the Society. Of particular concern is the language that specifies the rental mix prescribed by CHF. This puts the project at risk because:

- It limits funding and financing options for the project. CMHC, FCM, or private financiers are likely to see this restrictive language as too much of a risk, or it may not fit their funding requirements. Communication with BC Housing has indicated that

they also see risk in such a restrictive housing agreement and prefer more general terms.

- It does not allow MIHS to respond to the possible changes in the rental landscape, interest rates, and operating costs that may exist in the future.
  - Operating costs fluctuate and MIHS must be able to respond to the rental need on the Island at any given time. While the CHF unit breakdown may be appropriate now, in 10 years the need may change.
- If the project secures funding through BC Housing or another public entity, they will be required to enter into an operating agreement or other legally binding agreement, committing them to protect the affordability of the units for a prescribed period.

## **Conclusion**

We hope that this letter helps to provide some clarity on the affordable housing landscape and how this project may move forward successfully to the benefit of MIHS, the Islands Trust, and to the community as a whole.

Thank you,

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On behalf of the Mayne Island Housing Society