

BUILDING KNOWLEDGE



The purpose of this series is to highlight examples of how BC Housing has worked with non-profit providers to facilitate redevelopment of affordable housing sites, as well as capture some of the lessons learned from those experiences. These case studies can spark ideas for non-profit housing providers in B.C. and across Canada who may be considering redevelopment of their sites.

Redevelopment Case Study Series: Kiwanis Towers, Richmond

Background

In 1959, the Richmond Kiwanis Club (Kiwanis) purchased 2.02 hectares of land in central Richmond from the Brighthouse Estate for \$15,000, and created the Richmond Kiwanis Seniors Housing Society (RKSCHS) and built 24 two-bedroom cottage units to house low-income seniors. The RKSCHS development was expanded in stages from 1961 to 1970, providing a total of 122 units for low-income seniors.

Catalyst for Redevelopment

In 2006, fire broke out at the nearby popular Richmond Inn, then another fire damaged an apartment building near the RKSCHS complex so severely it had to be demolished. The fires concerned Kiwanis members over the safety of residents in their own buildings. The Society could not afford to retrofit a sprinkler system which was not required by Building Code when the units were built, nor did they have enough money to repair or rebuild units in case of a fire.

While they had paid most of their CMHC-backed mortgage, the Society needed help to redevelop their property or cease providing housing for seniors.

At the same time, Polygon Homes (Polygon) asked if RKSCHS would consider selling their valuable, centrally-located land, or trading it for other Polygon-owned property. In 2009, after many internal discussions, the RKSCHS executive met with Polygon to talk about selling a portion of their land so the Kiwanis could access funds to redevelop the remaining portion of the site as renewed affordable housing.



Model of Kiwanis Towers development proposal that included two 15-story high-rises with 296 rental apartments

Redevelopment

Talks between RKSCSH and Polygon Homes were productive. The redevelopment developer had a long history of building in Richmond and was building more. BC Housing allowed RKSCSH to discharge its CMHC mortgage in 2011 so the society would be in a better position to negotiate a deal with Polygon.

Financing

Polygon agreed to buy a portion of the RKSCSH site – 1.23 hectares for \$21 million – to build market housing. This left .89 hectares for RKSCSH to redevelop senior’s housing, but the society still needed another \$35 million to finance the project.

Fortunately, the City of Richmond was committed to protecting and building affordable housing. In 2007, the City adopted the Affordable Housing Policy requiring that all new developments provide five percent of units at below-market rent. Richmond Council had made affordable housing for low-income seniors a priority and were willing to work with stakeholders to provide more housing for this client group. BC Housing provided interim financing during construction and long-term take-out financing when the

project was completed.

With the backing of RKSCSH and BC Housing, Polygon approached the City of Richmond with an innovative Proposal. They asked the City to convert the value of all Polygon’s affordable unit allocations in the City of Richmond to a dollar value and allocate those funds to Kiwanis Society.

The City agreed with Polygon’s proposal to allocate the \$20.8 million Polygon paid into the housing fund for their developments. The City of Richmond’s willingness to innovate to make projects work earned them recognition from the Union of BC Municipalities (UBCM) who honoured them in 2016 with the UBCM Community Excellence (Partnerships) Award.

The City also waived all development cost charges, valued at more than \$3 million. To further improve the bottom line and ensure affordable rents would sustain the project, Polygon retained accounting firm KPMG to pursue an exemption to the Goods and Services Tax. Canadian Revenue Agency accepted the case, and the GST refund was allocated to RKSCSH, who applied it to their construction loan obtained through BC Housing.

Timeline

- 1959 Richmond Kiwanis Club buys five acres of land in central Richmond from Brighthouse estate for \$15,000
Richmond Kiwanis Senior Citizens Housing Society (RKSCSH) created
- 1961 24 units constructed
- 1964 27 units constructed
- 1967 35 units constructed
- 1970 36 units constructed for a total of 122 units in 14 buildings on 2.02-hectare site NHA Section 26 agreement
- 2005 Age of complex sparks concern over residents’ safety in the event of fires
- 2006 Polygon approaches Kiwanis with a proposal to buy or trade land
- 2011 RKSCSH applies to BC Housing for interim construction and take out financing under Community Partnership Initiative for two buildings with 296 units
- 2011 Canada Mortgage and Housing Corporation (CMHC) mortgage paid in full
- 2012 Polygon purchases 1.23 hectares of Kiwanis’ land for market housing development.
- 2012 Richmond Council grants funds from Affordable Housing program
- 2012 Development permits granted
- 2013 Temporary resident relocation completed prior to construction start
- 2013 Construction begins
- 2015 Buildings completed; residents move in begins March, completed July
July 15 – Minoru Towers official opening ceremony

Units

Original development

- › 24 2-bedroom cottages for low-income seniors
- › 98 Bachelor units in 3 buildings (2 storeys) for low-income seniors
- › 122 units on 2.02 hectares

Redevelopment

- › 296 units 1 bedroom units in two concrete towers for low-income seniors and adults with disabilities: Robert Long (north tower) + Cecil Campbell (south tower) joined by a single storey podium floor with 14,000 square foot facility room + fitness centre, landscaped gardens and walking paths on .89 hectares

Financing

\$21.58 M Polygon purchase of 1.23 hectares of 2.02-hectare site

\$20.86 M City of Richmond Affordable Housing Fund (drawn from Polygon's 5% city-wide Affordable Housing Contribution)

Up to \$25 M BC Housing-provided low-interest interim/construction financing

\$7.85 M BC Housing facilitated long-term take-out mortgage

Construction Budget:

\$56.45 M

Construction Actual Cost:

\$56.5 M

Exemptions:

\$2.5 M GST exemption from Government of Canada

\$3.43 M Development Cost Charges (DCC) waived by City of Richmond

Stakeholder Contributions

BC Housing

- › Assisted in discharging CMHC mortgage
- › Provided up to \$25 interim/construction financing
- › Facilitated \$7.85 million long term take-out mortgage
- › Assisted in developing operating budget

Partner Contributions

- › City of Richmond Affordable Housing Grant (equal to 5% of Polygon's city-wide affordable housing contribution) \$20.88 million
- › City of Richmond Development Cost Charges waived - \$3.43 million

Government of Canada

- › Goods and Services Tax (GST) exemption - \$2.5 million

Polygon

- › Purchased half of original site for market housing, providing capital for redevelopment
- › Engaged KPMG to pursue GST exemption
- › Arranged for and provided temporary units for some residents during construction

Richmond Kiwanis Club

- › Purchased original site
- › Richmond Kiwanis Senior Citizens Housing Society (RKSCHS) provided funds for tenant relocation
- › RKSCHS Board of Directors oversees Property Manager contracted to look after the building maintenance and tenancing
- › RKSCHS Maintained an operating agreement with BC Housing prior to redevelopment
- › RKSCHS Reports annually to City of Richmond on rents



Design and Construction Phase

Construction of the two towers with 296 one-bedroom units took two years. In that time, Polygon worked closely with RKSCHS, who struck a separate committee for the project. An owner's representative made day-to-day decisions, but escalated larger issues to an established housing committee. This structure supported timely decision-making, fostered an environment of trust and innovation and ultimately saved money.

Polygon created detailed designs of the building, including interior finishes selection, and vetted them with project partners prior to the start of construction. The developer also managed the rezoning process, which the City completed in an expedited two months. Polygon also helped to achieve a relaxation of parking requirements, successfully arguing that with transit, shopping, health care and other amenities nearby, residents required fewer vehicles than they would elsewhere in the City.

The old buildings were demolished to make way for the new towers, and for Polygon's market development. Polygon staff assisted residents to find temporary rental units during the construction period, in a mix of non-market, market and BC Housing developments. The Society provided up to \$800.00 per resident in moving allowance, plus \$175 per month rental assistance until the first tower was ready for residents to return. The Society also provided a unit in the original development where a Polygon representative could meet with residents. Interim funding was advanced by Polygon and repaid from construction financing.

New Units

For returning residents the new units were a pleasant surprise. Having convinced their project partners that higher quality more durable finishes would save money in the long run, Polygon installed granite counter-tops and high-quality flooring throughout. A central laundry facility located next to group amenities was designed to encourage seniors to interact and build social bonds. The one-bedroom units are in two towers on the reduced site. Prior to redevelopment, couples were often housed in two-bedroom units, and upon the death of one partner, the other was required to relocate to a one-bedroom unit. With only one-bedroom units in the new towers, surviving spouses no longer need to relocate.

Of 152 residents in the old complex, 40 moved into the new building when it was complete. Others chose to move closer to family or were transitioned to assisted living facilities. Original RKHCHS rents were as low as \$364 monthly, which was too low to pay for maintenance and repairs in the new development. Kiwanis still charges residents a below market monthly average rent of \$713 (for both existing and new residents). Including resident insurance and utilities, residents pay \$790 per month on average. The building is self-sufficient, covering all operating and maintenance costs with revenues from rents. Residents may apply for SAFER, as the building is not supported by grants or operating subsidies.

Amenities in the new towers include a multi-purpose room, craft and hobby room, games room, hair salon, fitness area, and reading room.

Mixed Tenure

Benefits

- › While the client group has not changed, the redevelopment was made possible by the construction of market housing on the original site
- › Carrara, the Polygon market housing development, shares a common private roadway with the Richmond Kiwanis towers, operating costs, if any arise, will be shared equally
- › Redeveloping the Richmond Kiwanis site from low-density one and two bedroom units to twin-towers with uniform one-bedroom suites on a site containing market rentals has simplified management of the complex and created efficient operations of higher quality units.
- › Situated close to urban amenities, including healthcare, transit and shopping, the development continues to help seniors maintain active lifestyles and their independence

Challenges

- › Residents have less green space than in the original development, which is mitigated by a grassed area on the second-floor podium linking the two towers. This area also features planters that residents can use for flowers or herb gardens or other hobby horticulture



Successes	Factors of Success
<ul style="list-style-type: none"> › Created nearly three times as many units 	<ul style="list-style-type: none"> › Rezoned space to all of higher buildings › Increased density on-site
<ul style="list-style-type: none"> › The reduced housing footprint created the opportunity to sell enough land to support redevelopment 	<ul style="list-style-type: none"> › Rezoned space for taller buildings › Increased density on-site › Site was close to amenities and appealing to developer
<ul style="list-style-type: none"> › Units have higher quality finishes than typical 	<ul style="list-style-type: none"> › Savings achieved in design and construction to allow for more durable finishes
<ul style="list-style-type: none"> › Seniors have better-quality homes 	<ul style="list-style-type: none"> › New units are well-designed, feature good quality finishes, and have additional amenities available in the buildings

Challenges	Mitigation Strategies
<ul style="list-style-type: none"> › Coming up with funding for the redevelopment 	<ul style="list-style-type: none"> › Rezoned to add density to the site › Created two towers of affordable housing, taking up smaller portion of site and sold the remaining land to a private developer › Converted City’s 5% Affordable Housing Fund to cash to enable the redevelopment of the affordable housing to go forward › Accessed BC Housing’s low interest rate construction/interim financing
<ul style="list-style-type: none"> › Residents required temporary rentals during construction 	<ul style="list-style-type: none"> › Polygon provided an employee to assist residents find temporary accommodation during construction › Society provided up to \$800.00 per resident in moving allowance, plus \$175 per month rental assistance until the first tower was ready for residents to return
<ul style="list-style-type: none"> › Keeping rents affordable for residents while ensuring project is self-sufficient and viable 	<ul style="list-style-type: none"> › Set rents for new units at below-market rates but sufficient to cover operating costs and build a contingency fund › Added units to the development to increase rent revenue

Lessons Learned

- › Begin planning process early
- › Develop detailed interior design prior to start of construction so any issues can be addressed
- › Engage a highly-respected and qualified developer
- › Communication between partners builds trust and is critical to mutual understanding and project success
- › Developers may be able to offer temporary units for residents during construction phase
- › Sale of part of site may not have provided funding sufficient for redevelopment, but other financing options with provincial (low-interest construction/interim financing and in-kind development support), federal (GST rebates), and municipal governments (waiving DCCs/parking requirements and converting developer requirements to build affordable housing to cash) can help off-set funding gaps



New towers have indoor and outdoor space for resident programs

More Information:

Visit BC Housing's Research Centre at www.bchousing.org to find the latest workshops, research and publications on the key challenges and successes in building and operating affordable, sustainable housing.

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