

Building Knowledge: Housing Project Profiles

Apple Valley, Kelowna

Background

Apple Valley is a mixed-use residential and commercial strata development with 72 rental housing units for low- to moderate-income seniors and people with disabilities. This facility has a recreation centre for tenants with a fireside lounge and library, a multi-purpose room, meeting rooms, a large community kitchen, a billiards/ shuffleboard room, and a six-lane bowling alley.

National Society of Hope initiated the project in 2009, but had been working on an affordable rental housing concept with an integrated recreation centre for 15 years. No suitable funding programs were available to make the project viable, but because the society kept moving the project along, it was ready to go when the Seniors' Rental Housing initiative was announced in 2009.

Seniors' Rental Housing initiative

The governments of Canada and British Columbia partnered on the \$123.6 million Seniors' Rental Housing initiative to create 1,000 new affordable housing units for seniors and persons with disabilities in 40 communities across B.C. The initiative was designed to help stimulate local economies in smaller communities and created close to 800 jobs by the end of 2011. Through innovative partnerships with non-profit housing societies, nearly 1,200 new units have been created. The development of Apple Valley provided approximately 60 construction jobs.

The building

Apple Valley is a five-storey building with a main floor of non-combustible construction, four storeys of wood-



frame construction above, and an underground parking level with space for 38 cars.

| UNIT TYPE | AVERAGE AREA | NUMBER OF UNITS |
|--------------------|--------------|-----------------|
| Bachelor | 623 sq.ft. | 4 |
| One-bedroom | 609 sq.ft. | 60 |
| Two-bedroom | 855 sq.ft. | 8 |
| Total Units | | 72 |

Note. Average area based on strata plan.

The four bachelor units are fully accessible to individuals in wheelchairs enabling the society to serve seniors with mobility issues.

Building construction started in November 2009. The first tenants moved in February 2011. All units were occupied by May 2011.

"Green" features include building to a standard of Energuide 80 performance.

The recreation centre

The Ziglar Recreation and Senior Support Centre is on the main floor. It provides residents with onsite recreation



and social activities and access to support services through the Seniors Outreach Services Society. The recreation centre is approximately 12,000 square feet.

The centre includes a six-lane bowling alley, a games room with darts, shuffle board, and a ping pong table. There is also a library and cards room, community hall and full kitchen. Tenants are charged a monthly fee of \$15 to use the recreation centre. They may invite guests to the bowling alley for a minimal cost of \$2.

How affordability was achieved

All 72 units are targeted to low- and moderate-income seniors (age 55 plus) or persons with disabilities. Their incomes must be below the maximum set by BC Housing.

There are two housing components to this development:

■ 56 affordable rental units

National Society of Hope and BC Housing have entered into a blended operating agreement for a 60-year term for these units, which are owned by the society and managed as follows:

- 36 units rented at low end of market rates; and
- 20 units rented on a rent-geared-to-income (RGI) basis for 10 years, after which they will be rented at low end of market rates.

■ 16 rent-geared-to-income units

These units are owned by BC Housing but the National Society of Hope manages them under an operating agreement with BC Housing for a term of 60 years. According to this agreement tenants will be charged rents at 30 per cent of their incomes.

Several factors made it possible to provide affordable rental and rent-geared-to-income units without a traditional program of ongoing subsidy commitments. These include BC Housing's contribution through the Seniors' Rental Housing initiative, interim construction and take-out financing and the society's contribution of land and cash equity.

Monthly rents are shown below.

| UNIT TYPE | MONTHLY RENTS |
|--------------------------------|---------------|
| Bachelor, subsidized | \$450 - 700 |
| One-bedroom, subsidized | \$501 - 726 |
| One-bedroom, low end of market | \$760 |
| Two-bedroom, low end of market | \$960 |

Society role

National Society of Hope has more than 20 years experience as a housing provider. The society manages 427 units in 12 different housing projects in the Kelowna area. The society had many essential components of the project in place before government funding became available. It contributed the land for the project, valued at \$1,100,000, which had been donated by a private citizen several years ago.

To finance the recreation centre, the society borrowed \$1,125,418 from the Society of Housing Opportunities and Progressive Employment (H.O.P.E.). Both societies are operated by the same board of directors, which made this financing strategy possible.

The society also took out a mortgage in the amount of \$360,000 for office space on the main floor of Apple Valley. The society moved into this space, thus saving itself \$30,000 a year in rent. Instead, this amount is now redirected to pay the mortgage.

The society entered into a special agreement with the developer, Scuka Enterprises, to share savings from sub-trade tenders. In return for starting the project earlier than anticipated (November 2009 instead of January 2010), the contractor agreed to share 60 per cent of any tender savings from sub-trades with the society. Total savings were \$174,865. The society applied its portion (\$104,919) to upgrade the project, which included making the four bachelor units fully wheelchair accessible.



BC Housing role

The Seniors' Rental Housing initiative enabled BC Housing to purchase 16 strata lots at Apple Valley for \$2,352,000. The purchase price (\$147,000/unit or \$234/sq.ft.) compared favourably with the average sale price for new one-bedroom apartments in Kelowna (~\$334/sq.ft.). This funding helped make the project feasible with affordable rents, while enabling BC Housing to provide rent-geared-to-income rental housing for low- to moderate-income seniors and people with disabilities.

BC Housing provided interim construction financing of over \$9.4 million for all 72 units. The low-interest rate, which averaged about one per cent, resulted in savings of approximately \$237,500 compared with interest rates available from financial institutions. BC Housing's low mortgage insurance fee (\$75 per unit to a maximum of \$5,000) also helped reduce overall project costs.

BC Housing offered to guarantee an interest rate of three per cent on the take-out mortgage for 56 units for ten years, and is contributing \$60 per unit each month for 72 units for ten years to build a replacement reserve.

Construction costs

| | |
|---|--------------|
| Total capital cost | \$11,700,000 |
| Interim construction financing (construction loan) | \$9,400,000 |
| Gross cost per unit | \$142,000 |
| Net cost per unit | \$126,500 |

Factors for success

- National Society of Hope's cash equity contribution plus the donation of land by a private citizen to the society combined with the Seniors' Rental Housing initiative allowed the society to develop affordable housing for the target groups.

- The management expertise of the National Society of Hope was an important factor in keeping momentum for the project and negotiating viable partnership strategies.
- Positive working relationships built on trust and flexibility between the National Society of Hope, Scuka Enterprises and BC Housing made it possible to resolve any issues quickly and co-operatively and to keep the project on schedule even though there were significant changes in the development.
- The society worked with a developer who was sympathetic to the need for affordable housing and demonstrated this commitment by sharing 60 per cent of the savings achieved from sub-contracts as a result of starting the project earlier than planned. The society was able to apply its portion of savings (\$104,919) to upgrade the project.

Challenges

- The society was trying to bring an affordable housing project to its community at a time when no government funding program was in place.

Lessons learned

- It is possible for a non-profit society to develop affordable housing, recreation centre and amenity spaces with minimal government funding.
- Good working relationships are key to developing a successful project.
- Get projects started even if there is no government funding available (e.g. secure land donation; get developer on side).
- Maintain optimism; stay persistent; look for opportunities.