

# Provincial Redevelopment Program

## PROGRAM FRAMEWORK

August 2023



## INTRODUCTION

In Budget 2023, the Province announced its funding commitment to BC Housing, as part of the 2023 Homes for People Plan, to redevelop and/or revitalize ten (10) Provincial Rental Housing Corporation (PRHC)-owned housing sites in the pilot phase across the province, adding approximately 7,080 new affordable homes, and ensuring existing tenants remain in stable housing. This Provincial Redevelopment Program (PRP) aims to replace aging or underutilized provincial assets, and create net new housing units through site intensification and partnerships with non-profit and for-profit sectors to meet the diverse housing needs that better serve the community. This program may expand redevelopment to additional sites under different ownerships in partnership with other provincial ministries or non-profit entities in the future.

Existing BC Housing directly managed rent-geared-to-income (RGI) and non-profit operated rental units will be replaced at minimum one-for-one with no loss of affordability. Net new units created must be able to operate without any ongoing operating subsidies from BC Housing.

This program framework outlines the overall program intent, goal, principles, target populations, core elements, standards and guidelines, monitoring and reporting requirements, and defines the roles and responsibilities of project partners in the delivery and management of the PRP.

## PRINCIPLES

The following principles guide how BC Housing implements and administers the PRP program, and our relationship with partners and local government.

- 1. Aging housing is replaced, housing affordability is preserved, and secure tenancies are maintained**
  - a) The same number of affordable rental or RGI units, at minimum, will be maintained in the redeveloped housing site.
  - b) Existing tenants will be offered right of first refusal for an appropriate unit in the redeveloped site.
  - c) Through redevelopment, existing housing will be modernized improving the economic life of these housing sites.
  - d) A tenant engagement and relocation plan will be created for each individual redevelopment site to ensure all existing tenants are supported and informed throughout the redevelopment process.
- 2. Additional rental units are created to provide a range of affordability serving the diverse housing needs of the community**
  - a) The housing sites will be densified and create more rental housing units to serve low-, moderate- and middle-income households.
  - b) Project partners are encouraged to provide innovative solutions to best serve the range of affordable housing needs in the community.
- 3. Consistency with regional and community priorities and plans**
  - a) Community and local/regional government support for the project should be evident.
  - b) Projects should be consistent with housing action plans and/or housing needs assessments, Official Community Plans (OCPs) and other local planning policies and strategies.

#### **4. Leveraging provincial policies and strategic initiatives**

- a) Understanding provincial Housing Supply Act targets in each community to identify opportunities for local government support for higher density that will help local governments meet their targets and BC Housing maximize density.
- b) Working with the Ministry of Housing to identify constraints in maximizing the opportunities and apply the knowledge gained to future policy development.
- c) Alignment to the Province's priorities established in the Environmental, Social and Governance Framework for Capital (<https://www2.gov.bc.ca/assets/gov/british-columbians-our-governments/government-finances/debt-management/bc-esg-report.pdf>).

#### **5. Sustainability**

- a) Net new units will be financially viable without operating assistance from BC Housing.
- b) BC Housing considers environmentally sustainable practices, using industry standards and the BC Housing Design and Construction Guidelines (<https://www.bchousing.org/partner-services/asset-management-redevelopment/construction-standards>).
- c) BC Housing is committed to look for alignment and collaboration with municipal authorities for local practices and innovation for increased climate adaptive and energy efficient/alternative design.

#### **6. Project partners are encouraged to contribute equity to projects**

- a) Grants may be considered when there is a capital shortfall after an eligible non-profit project partner has brought in their equity contribution to improve affordability through reduced debt servicing.
- b) BC Housing grants are allocated in a manner that maximizes the affordability and the number of rental units created.
- c) BC Housing will seek strategic opportunities with community and government partners that support additional affordability.

#### **7. Housing is revitalized to create a sense of community and liveability**

- a) Housing is redeveloped through the lens of liveability to enhance the sense of community belonging for tenants and community residents as a whole.
- b) Neighbourhood connectivity is encouraged by ensuring inclusive connection opportunities (multi-modal pathways) to neighbourhood amenities (i.e., rapid transit options, shopping, services, education, Indigenous cultural supports, supports for seniors, etc.) are considered.
- c) Housing is redeveloped with inclusivity and opportunities for overall health and wellness in mind (i.e., accessibility and adaptability features).
- d) Complimentary land uses, such community gardens, courtyards, play areas and childcare facilities, are an integral part of redevelopment to create social value for these development sites.

#### **8. Transparent and accountable operations**

- a) BC Housing will employ fair and consistent processes when evaluating and selecting project partners.
- b) Project partners will maintain reliable and consistent records and fulfil reporting obligations to BC Housing.

- c) BC Housing will ensure privacy legislation and principles are upheld in all aspects, including all dealings with third-party contractors in the redevelopment process as well as inclusion of the standard BC Housing Privacy Protection Schedule with all new third-party contractors.

## **PROGRAM PURPOSE**

**Goal:** Increase the supply and range of affordable and appropriate rental housing options for low-, moderate- and middle-income households across British Columbia

**Objective:** Revitalize aging or underutilized provincially owned assets to create and preserve affordable rental housing units in communities across British Columbia

### **Outputs:**

1. New affordable rental units created in communities with housing need
2. Revitalization and replacement of existing rental housing units with modernized buildings
3. Revitalization of overall site planning and design, incorporating accessibility features and facilitating connection to amenity spaces, complimentary non-residential uses, and neighbourhood features, including transit hubs
4. Complimentary land uses such the inclusion of childcare facilities
5. Operating agreements established or revitalized with non-profit project partners
6. Interim construction financing for eligible project partners
7. Take-out financing facilitated by BC Housing for eligible non-profit project partners
8. Equity contributions from BC Housing for the development of PRHC-owned units
9. Grants for eligible non-profit project partners
10. Tenant engagement and relocation plan to guide the tenant communication and support throughout the redevelopment process

### **Outcomes:**

1. Revitalization of aging or under-utilized PRHC-owned housing and province-owned lands
2. Creation of new affordable rental housing supply
3. Creation of new childcare facilities
4. More low-, moderate- and middle-income households living in affordable, appropriate housing
5. New rental units operate successfully over the expected life of the developments without operating subsidies or supplemental funding from BC Housing
6. Existing tenants can remain in the same community with the same rental model
7. Sense of community and liveability is enhanced through housing revitalization
8. Increased opportunities for the pursuit of health and wellness, both indoor and outdoor

**Indicators:**

1. Number of net new affordable rental units created
2. Number and value of interim construction loans
3. Number and value of take-out loans facilitated
4. Number and value of grants
5. Number of replacement units created
6. Number of existing residents returning to a replacement unit
7. Improvement in Facility Condition Index (FCI) of redevelopments
8. Number of childcare facilities created
9. Tenant survey results

**FUNDING****Partner Contributions**

Partnerships are an essential component of the PRP. BC Housing will partner with non-profits, private developers, faith groups, First Nations, Indigenous groups, federal and local governments, to redevelop housing sites or lands that are currently under-utilized. Partner contributions may include capital funding or other equity contributions.

**Financing<sup>1</sup>**

BC Housing provides interim construction financing for the development of affordable housing. Interim financing may be approved up to 100% of the cost to complete the project.

BC Housing may also facilitate eligible non-profit housing partners to obtain take-out financing. BC Housing will make arrangements with National Housing Act (NHA) approved lenders to obtain low interest rates and favorable terms through a competitive tender and selection process conducted and approved by BC Housing. All approved BC Housing take-out loans will have Canada Mortgage and Housing Corporation (CMHC) loan insurance.

BC Housing will typically require the following security registered on title for financing facilitated or provided by BC Housing:

- Execution and registration of BC Housing's standard mortgage security package, and
- A Section 219 restrictive covenant.

Security considerations will vary from project to project and will include a long-term operating agreement if CMHC-insured take-out financing is facilitated.

**Grant Funding**

BC Housing will provide capital grants in select non-profit projects to improve affordability and financial viability. To be eligible, units must be owned and operated by an eligible non-profit housing provider and meet BC Housing's Design Guidelines and Construction Standards.

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<sup>1</sup> Financing is subject to BC Housing's Lending Criteria.

Capital grants will be secured by a 35-year forgivable mortgage registered on title and a corresponding operating agreement.

## PROJECT PARTNER ELIGIBILITY

BC Housing will consider proposals for funding for the net new units through an open proposal call for submissions. The evaluation of submissions will be based on proponent and project eligibility, lending criteria and available financing. The following minimum eligibility requirements must be met:

1. Housing must be affordable for households up to middle-income limits.
2. The project partner must present a clear business case for the project, including demonstrated ability to maintain affordable rents over time, and demonstrate that developments will be sustainable without operating subsidies or grants for capital repairs/replacements from BC Housing.
3. Project partners are encouraged to bring in equity to the project, such as cash, grants and municipal concessions.

While all project partners must meet the above eligibility requirements, BC Housing may apply additional criteria or other determining factor outlined but not limited to below:

- Greater affordability
- Larger equity contribution

## KEY PROGRAM ELEMENTS

### Tenant Eligibility

The replacement RGI units are for households with income below the Housing Income Limits (HILs), with priority for existing tenants who will be offered an appropriate unit after redevelopment.

Income limits for the net new units will be up to middle-income:

- **Units with two or more bedrooms:** Middle-income households are those whose gross household income does not exceed the 75<sup>th</sup> income percentile for families with children, as determined by BC Housing from time to time.<sup>2</sup>
- **Units with less than two bedrooms:** Middle-income households are those whose gross household income does not exceed the 75<sup>th</sup> income percentile for families without children, as determined by BC Housing from time to time.<sup>3</sup>

### Rents

Rents for the replacement units will remain at the existing level to preserve affordability for tenants living on the redevelopment site. Rents for the net new units must be affordable for eligible tenants, as determined by BC Housing<sup>4</sup>, and remain affordable for a minimum period of sixty (60) years.

The rent structure will vary depending on the characteristics of the particular project, the tenant population served, and whether or not funding from other partners is layered onto the project.

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<sup>2</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (With Children)*.

<sup>3</sup> BC Housing determines this figure using data released by Statistics Canada - Income Statistics Division: *T1 Family File – Custom Tabulation British Columbian Couple Families (Without Children)*.

<sup>4</sup> Rent should not exceed 30% of the gross household income

All units in the development must be rented at or below market, and at rents affordable for eligible households considering the unit size, location and average household income for the area.

### **Agreements**

For non-profit partner-owned units, the housing provider will enter into a 60-year operating agreement with BC Housing to provide affordable housing for households up to the middle-income limit. For PRHC-owned sites that are operated by a housing provider, BC Housing will enter into a short-term operator agreement with these operators.

### **Leases**

PRHC will maintain its fee simple interest on the PRHC-owned redevelopment sites and may enter into long-term leases with project partners, where appropriate, to facilitate the creation of mortgageable interests and housing development.

### **Design Guidelines**

Projects receiving grants or equity are required to meet or exceed the BC Housing Design and Construction Guidelines (<https://www.bchousing.org/partner-services/asset-management-redevelopment/construction-standards>)<sup>5</sup>. Provincially funded units must meet high standards of environmental sustainability, including low greenhouse gas (GHG) emissions. Certifications may include LEED, R2000, Passive House, BC Energy Step Code or other equivalent. Projects that only require interim construction or take-out financing are encouraged to meet or exceed the same.

## **ROLES AND RESPONSIBILITIES**

### **BC Housing**

- Initiating procurements for project partners
- Evaluating project proposals
- Facilitating financing
- Providing capital grants to eligible project partners
- Providing technical & project management assistance and advice
- Monitoring, evaluating, and reporting out on the success of the program
- Manage the operations of the replacement units
- Oversee the tenant engagement and relocation process

### **Project Partners**

- Co-ordinating the design and construction of developments
- Day-to-day operations and management of the net new units
- Identification and selection of tenants, including verification of their income for net new units
- Periodic reporting to BC Housing.
- Ensuring the financial viability and long-term operating success of the housing

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<sup>5</sup> Required for units receiving grant funds.

## MONITORING AND REPORTING

Monitoring ensures program compliance and minimizes risks to all stakeholders: residents, project partners and BC Housing.

BC Housing is responsible for monitoring and reporting out on the effectiveness of this program, and is responsible for ensuring:

- Housing sites continue to be owned in fee simple by PRHC.
- Existing ownership structure is respected where redevelopment is expanded beyond PRHC-owned assets.
- Existing tenants can retain their tenancies in the same community.
- Affordable rents are maintained.
- Targeted households are being housed.
- PRHC-owned assets are maximized to best serve the housing needs of the community.
- Construction standards and value for money are met.
- Net new units developed are financially viable with no operating subsidies from BC Housing.
- Buildings are maintained to an appropriate standard for their expected lifespan, in a partnered effort with the project partner where appropriate.
- Project partners meet legal and contractual obligations.

Annually, at minimum, the project partner is required to submit a report, using a template provided by BC Housing, addressing key requirements such as:

- Current financial statements
- Current rent levels
- Household incomes at move-in

An on-site visit by BC Housing staff may occur from time to time, particularly where operational or financial issues arise.

## SIGN-OFF

The Program Framework requires final sign-off by BC Housing's Chief Executive Officer, approval by Executive Committee and the Board of Commissioners.



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**Vincent Tong**

**Chief Executive Officer**