

# Building Knowledge: Housing Project Profiles

## Veneto Place, Fernie



### Background

Veneto Place is an affordable housing complex for low-to moderate-income families, seniors, and people with disabilities. The site was developed through an innovative public-private partnership in response to a need identified by the community regarding Fernie's lack of affordable housing and its impact on growth and development opportunities.

In 2008 Parastone Developments Ltd. wanted to keep its construction crews employed during the world-wide economic downturn that was affecting the local construction sector. Parastone's general manager also understood that a range of affordable housing was key to the community's future sustainability. The company was able to purchase land in downtown Fernie from a private owner at a price substantially below market value on the condition that it would be used for developing affordable housing.

Construction began on Veneto Place in September 2009, with Parastone partnering with BC Housing, Fernie Family Housing Society, City of Fernie, Columbia Basin

Trust, and Canada Mortgage and Housing Corporation. The first tenants moved in December 2010.

### 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. It had 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. Twelve of Veneto Place's 45 units were built with funding from this initiative.

### The building

Veneto Place has a total of 45 units in three, four-storey, wood-frame buildings with a mix of different size units for different types of residents.

- Nine two-bedroom units owned by the developer and rented through Fernie Family Housing Society (FFHS) at low end of market rates for eligible families;
- 12 one-bedroom units owned by BC Housing and



rented through FFHS for the Seniors' Rental Housing initiative for seniors (age 55 plus) and people with disabilities; and

- 24 two-bedroom strata units for low- to moderate-income families for sale to qualified buyers at below-market rates.

Sustainability features include:

- Heat recovery ventilation;
- Energy-efficient wall and roof insulation;
- Electric heating;
- Low-flow toilets (six litres per flush); and
- Low-flow shower heads.

### How affordability was achieved

Under an affordable home ownership strategy, 24 of the two-bedroom units in Veneto Place are for sale with prices ranging from \$169,000 to \$189,000<sup>1</sup> plus applicable taxes. These units are targeted to moderate-income families. These prices are estimated to be at least 10 per cent below the appraised fair market value.

A Resale Control Agreement is registered on title to ensure the units remain affordable over time. The agreement restricts the initial sale and re-sales to eligible people and limits subsequent sale price increases to the Core Consumer Price Index (CCPI). Half the homes are subject to agreements of 10 years. After 10 years, if a homeowner wants to sell, BC Housing will purchase the home based on CCPI and could then re-sell it on the private market. The other 12 homes are subject to re-sale controls for 99 years.

Additional agreements are registered on title to address issues related to the City of Fernie being a ski resort town. To preclude weekend rentals for tourists, all rental units must be occupied by residents of Fernie, and the 24 affordable ownership units must be owner-occupied.

Nine two-bedroom units owned by the developer are rented to families and single people for \$880 per month.

This compares to about \$1,000 per month for similar units in the area. At \$880, the units are affordable to households with an annual household income of \$35,200 so rents do not exceed 30 per cent of income. A Housing Agreement is registered on title by the City of Fernie to ensure the units will remain as rental for at least 10 years.

### The partners

- Parastone Developments Ltd., a locally-owned construction and development company operating in the Elk Valley and located in Fernie, originally brought the proposed development forward for consideration. Veneto Place Properties Ltd., a subsidiary of Parastone, managed the construction of the 45-unit housing complex.
- Columbia Basin Trust develops and delivers programs and initiatives that respond to the needs of communities and supports them through a focus on fostering quality of life and addressing critical issues in the Basin.
- Fernie Family Housing Society is responsible for the nine rental units owned by Parastone. The society also has an operating agreement with BC Housing to manage the 12 Seniors' Rental Housing units for seniors and people with disabilities. Under this program, BC Housing does not provide ongoing rent subsidies. Affordable rents based on 30 per cent of income are possible because the units are mortgage free. FFHS is responsible for making sure the rental income covers operating costs. FFHS is responsible for reviewing applicants' qualifications to meet the affordable home ownership program criteria and hosting open houses to showcase the affordable home ownership program. The developer is responsible for the initial sales and qualifying purchasers.
- BC Housing provided interim construction financing in the amount of \$7 million for all 45 units through its Community Partnership Initiative. The low interest rate, which averaged about one per cent, resulted in savings of approximately \$200,000 in interest when compared with an available commercial rate of prime plus 1.25 offered to the developer. These savings, as well as

<sup>1</sup> Parastone website February 2011



BC Housing's reduced loan administration fee, were used to reduce overall project costs.

BC Housing purchased 12 strata units at a cost of \$1,785,000 to provide rental housing for low- to moderate-income seniors and people with disabilities. Funding for the units was available through the Seniors' Rental Housing initiative.

### Funding

The total capital cost of the entire 45-unit development, including the 12 SRH units was approximately \$7 million.

- Parastone Developments Ltd. contributed \$123,142 in equity for the project.
- A private owner sold the land to Parastone at a price substantially below market value, on the basis that the development would be affordable.
- City of Fernie fast-tracked rezoning of the property and approved zoning variances and waived application fees and development cost charges for an estimated value of about \$338,000.
- Columbia Basin Trust agreed to provide bridge financing for units not sold within a certain period of time after construction, up to \$4.5 million, and provided take-out financing for the developer's nine rental units.<sup>2</sup>
- Canada Mortgage and Housing Corporation provided initial project development funds valued at \$32,000.
- East Kootenay Community Credit Union offers mortgage financing to eligible families and individuals to purchase the affordable home ownership units.

### Factors for success

- The private developer understood the community's need for affordable housing and initiated the project.
- Federal and provincial funding through the Seniors' Rental Housing initiative made it possible for BC Housing to purchase 12 rental units for low- to moderate-income seniors and persons with disabilities.
- Construction financing by BC Housing reduced overall project costs.

- Good weather in winter and excellent construction management made it possible to complete construction and begin renting and selling units earlier than anticipated.

### Challenges

- Sales are slower than anticipated for the 24 home ownership units, even though prices are below market. A number of factors may be responsible for this, including a slow real estate market, a slow economy particularly in more rural areas, and tightening up of criteria to obtain mortgage financing. The restriction on resale prices may also be a deterrent for potential buyers.
- Heating costs are significantly higher than anticipated.

### Lessons learned

- Veneto Place has made a marked difference in the quality of lives of its residents. All 21 rental units are fully occupied. Eight of the 12 tenants in the BC Housing units were homeless or at risk of homelessness before moving in. More applicants are on the waitlist. The nine rental units owned by the developer provide a much needed affordable housing option for moderate-income earners.
- While sales for the affordable home ownership units have been slower than expected, the concept is viable, and Parastone Developments Ltd. expects all units to be sold or occupied by year end 2012. To provide greater flexibility, it has introduced a rent-to-own option that can enable a purchaser to build a down payment over a period of six months to a year.<sup>3</sup>
- Overall, the housing development is centrally located, well designed, and a benefit to the community.

<sup>2</sup> BC Housing provided construction financing for a period of time post-occupancy to allow for the units to be sold. Columbia Basin Trust bridge financing is available if sales are not completed.

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