



# STAFF REPORT TO THE BOARD

**DATE OF REPORT** February 2, 2024  
**MEETING TYPE & DATE** Regular Session Board of February 14, 2024  
**FROM:** Corporate Services Department  
**SUBJECT:** Cowichan Housing Association Development Project Plan & Bridge Funding Request.  
**FILE:**

## **PURPOSE/INTRODUCTION**

The purpose of this report is to request project approval from the Board for the proposed New Foundations project, a partnership between Cowichan Housing Association (CHA) and Cowichan Tribes and to authorize the disbursement of bridge funding from the Regional Housing Trust Fund (Fund) to the CHA.

## **RECOMMENDED RESOLUTION**

1. That the Board approve the Cowichan Housing Association's New Foundations project and;
2. That the Cowichan Valley Regional District enter into a Bridge Funding Agreement with the Cowichan Housing Association for one-time use of the Regional Housing Trust Fund to provide short-term bridge financing in the amount of \$517,862.19 to support the purchase of property located at 447 Festubert Street, Duncan, toward phase one fulfillment of the New Foundations project.

## **BACKGROUND**

The CHA and Cowichan Tribes have embarked on a collaborative initiative known as the New Foundations project. The project aims to address homelessness in the Cowichan region by providing affordable housing units and support services for adults experiencing homelessness, those recently unhoused, Indigenous individuals, and persons with disabilities. To facilitate the project, the partners secured \$800,000 in grant funding through Infrastructure Canada's Reaching Home program, administered by United Way British Columbia. The funds must be spent by March 31, 2024.

### **New Foundations Project Overview:**

The New Foundations project has two phases: Phase 1 involves acquiring a suitable property by March 31, 2024, and Phase 2 entails developing the property for affordable housing. The project aligns with the Board's strategic objective; *"To make available a range of housing options and housing tenures at different income levels and stages of life"* and Cowichan Tribes' priorities from the opioid crisis response report, focusing on supportive and low-barrier pod housing.

### Project Initiation and Viability:

The project aligns with CHA's service pillars and objectives identified in the Cowichan Attainable Housing Strategy. An options analysis by Wiser Projects (Attachment B) and a preliminary development brief (Attachment C) by Darryl Matkaluk, CHA Executive Director, identified 447 Festubert Street as the most suitable property, meeting high-density zoning requirements.

### Site Selection and Acquisition:

447 Festubert Street has been evaluated for suitability, zoning regulations, and infrastructure. The property is zoned for high-density residential, with necessary services available. Soil testing meets BC Contaminated Site Regulation standards.

### Design and Planning:

At present, architectural schematics have not been developed. Nonetheless, the Wiser report (Attachment B) proposes accommodating a maximum of ten studio-sized dwelling units alongside supplementary areas for communal spaces, meeting rooms for third-party service providers, mechanical and janitorial facilities, and optimized circulation space to enhance building efficiency.

Project milestones and timelines are outlined below, with greater detail provided in the Wiser Report (Attachment B). Architects and engineers are yet to be hired, pending the development of a financial strategy and operating model. The project must comply with quarterly and annual reporting obligations to United Way.

<b>Phase 1 Recommendations</b>	<b>Oct 2023</b>	<b>Nov 2023</b>	<b>Dec 2023</b>	<b>Jan 2024</b>	<b>Feb 2024</b>	<b>Mar 2024</b>	<b>Apr 2024</b>
Establish a New Foundations Project Committee to oversee the Project							
Engage a realtor to support the Partners with securing an appropriate property for the New Foundations Project							
Pursue the purchase of an appropriate property for the New Foundations Project with CHA as the sole owner							
Search for an appropriate property by focusing efforts on lots with the recommended characteristics							
While exploring active market opportunities, develop and implement a strategy to proactively approach landowners of desirable lots to make an offer for purchase							
Execute a purchase and seek permission from the granting agencies for Phase 1 to apply any remaining funds to Phase 2 costs							

Phase 2 Recommendations	Apr '24 to Mar '25	Apr '25 to Mar '26	Apr '26 to Mar '27	Apr '27 to Mar '28
Build up organizational capacity for the New Foundations Project				
Develop and implement a financial strategy for the New Foundations Project and engage prospective funders in discussion to determine the likelihood of support				
With anticipated funding sources in mind, select an operating model for the New Foundations Project				
Engage an architect to develop a functional program model and design concepts to expand upon the requirements documented in this report				
Secure capital funding for Phase 2 of the New Foundations Project				
Based on the operating model selected, choose an operator				
Secure municipal approvals to build the New Foundations Project and proceed with the capital project				

### Financial Planning and Budgeting:

high-level construction and soft cost estimates, the anticipated cost in September 2023 to build the New Foundations project through a new development ranges from \$3,394,800 to \$4,250,880. High-level cost estimates for the property development are provided below. Funding is secured from the Federal Government Reaching Home program (administered by the United Way) and will be utilized to support the acquisition of 447 Festubert Street. Financial milestones and projections will be developed post-property acquisition. Greater detail is found in the Wiser report (Attachment B.)

Item/Stage	High-Level Cost Estimate	Assumptions or Other Considerations
Construction	\$2,460,000 to \$2,952,000	6,000 – 7,200 ft <sup>2</sup> building at \$410/ft <sup>2</sup> (highly variable; based on estimated current costs in the City of Duncan)
Soft Costs	\$369,000 to \$590,400	15 – 20% of construction costs (soft costs include planning, document preparation, technical studies for municipal approvals)
Contingency	\$565,800 to \$708,480	20% of construction and soft costs recommended
Total estimated (2023 dollars)	\$3,394,800 to \$4,250,880*	Assuming all of the above

\* GST will no longer be payable on rental housing in accordance with a Government of Canada policy change effective in September, 2023.

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### Community Engagement:

In some communities, there is a reluctance to locate services and housing serving vulnerable, low-income individuals who may or may not be struggling with mental health and addiction challenges in close proximity to facilities serving other vulnerable populations, such as children (e.g., daycares and schools) and seniors (e.g., seniors centres and housing). While this topic was not explicitly explored within the Wiser project report (Attachment B), there has been no indication that these concerns exist in Duncan or the context of the New Foundations project. The recent and widely recognized success of the Village Project may have helped challenge some preconceived notions about the compatibility of uses adjacent to and located close to supportive and transitional housing projects.

Notwithstanding, it is challenging to control community opposition to the development of affordable, subsidized, or supportive housing intended to aid individuals transitioning out of addiction.

### Tenant Selection and Support:

The United Way funding agreement stipulates criteria for tenant selection, such as local adults experiencing homelessness or unhoused and support for recovery. The operating model, including tenant support, will be determined in collaboration with key community partners.

### Emergency Inclement Weather Center:

While the New Foundations Project, aims to address homelessness and substance use recovery through the development of supportive housing, utilizing the space as an emergency inclement weather center may not be appropriate due to various factors. Firstly, funding from Cowichan Tribes is specifically earmarked for housing individual's post-addiction, indicating a focus on long-term housing solutions rather than short-term emergency sheltering. Moreover, considering that a significant portion of the unhoused population still deals with addiction, housing individuals in recovery alongside those actively struggling with addiction within the same building could pose challenges and potential triggers for relapse. Additionally, the project's objectives, outlined in the grant funding agreements and strategic reports, primarily emphasize the creation of permanent supportive housing units rather than temporary emergency shelters. Therefore, repurposing the New Foundations Project space as an emergency inclement weather center may not align with its intended purpose and could potentially undermine its effectiveness in addressing long-term housing needs and supporting recovery efforts.

## **ANALYSIS**

The New Foundations project represents an initiative to address the Cowichan region's housing challenges. By leveraging grant funding and fostering collaboration between key stakeholders, the project has the potential to create meaningful impact and improve the lives of vulnerable populations. The approval of the project and corresponding short-term bridge financing will catalyze progress toward the acquisition phase, laying the groundwork for future development and realizing the shared vision of affordable, supportive housing in the Cowichan Valley.

### Rationale for Acquisition:

- A comprehensive options analysis supports the selection of 447 Festubert Road, highlighting its suitability in terms of zoning, infrastructure, and proximity to essential services.

- The property meets the requirements set forth by the funding agreements, ensuring compliance with project timelines and objectives.
- Soil testing has confirmed the property's suitability for development, further validating its viability for the project.

Financial Viability:

- The project has secured \$800,000 in grant funding from the United Way's Reaching Home program, earmarked for land acquisition and preliminary development costs.
- The proposed acquisition cost of \$540,000 falls within the available grant funds, providing assurance of financial feasibility.
- While additional funding may be required for subsequent phases, the current financing arrangement establishes a solid foundation for future capitalization.

Project Management and Planning:

- The project team has outlined key milestones and timelines, demonstrating a structured approach to project execution.
- Reporting obligations to the United Way are acknowledged, ensuring transparency and accountability throughout the development process.
- While certain aspects, such as property management and tenant selection criteria, are yet to be finalized, plans for community engagement and stakeholder involvement are well-defined.

**FINANCIAL CONSIDERATIONS**

As of December 31, 2023, the Regional Housing Trust Fund maintained an uncommitted balance of \$802,263. If the CHA's request for short-term bridge financing, totalling \$517,862.19, is endorsed, \$284,400.81 of unallocated funds would remain accessible within the Housing Trust for other housing fund applications until the short-term bridge financing is repaid.

Pending property acquisition, the CHA Executive Director plans to commence discussions in June 2024 with BC Housing, CMHC and other lenders to secure preliminary project seed funding.

**COMMUNICATIONS CONSIDERATIONS**

Should the Board elect to approve the CHA's request for one-time use of the Regional Housing Trust Fund to provide short-term bridge financing, the subsequent CVRD/CHA bridge funding agreement shall denote;

*At the request of the CVRD, any public announcements made by the CHA relating to this Agreement and any promotions or publications regarding the Project will:*

- a) include clear recognition of the Bridge Funds given by the CVRD;*
- b) be in a form approved in writing by the CVRD; and*
- c) not represent or hold out that the CHA acts as an agent or contractor for the CVRD in relation to the delivery of the Project.*

### **STRATEGIC/BUSINESS PLAN CONSIDERATIONS**

The project aligns with the Board's strategic objective; *"To make available a range of housing options and housing tenures at different income levels and stages of life."* More specifically, strategic objective 7.3; *"Collaborate with regional partners to protect existing affordable housing and encourage the development of additional, affordable housing options including those needed to attract workers and for vulnerable populations."*

#### **Referred to (upon completion):**

- ☐ Community Services (Cowichan Community Centre, Cowichan Lake Recreation, South Cowichan Recreation, Arts & Culture, Facilities & Transit)
- ☐ Corporate Services (Finance, Human Resources, Information Technology, Legislative Services)
- ☐ Operations (Utilities, Parks & Trails, Recycling & Waste Management)
- ☐ Land Use Services (Community Planning, Strategic Initiatives, Development Services, Building Inspection & Bylaw Enforcement)
- ☐ Strategic Services (Communications & Engagement, Economic Development, Emergency Management, Environmental Services)

Prepared by:



Ian Paydli  
Acting General Manager, Corporate Services

Reviewed for form and content and approved for submission to the Board:

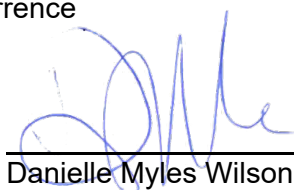
Resolution:

☒ Corporate Officer

Financial Considerations:

☒ Chief Financial Officer

Chief Administrative Officer's Comments / Concurrence



Danielle Myles Wilson  
Chief Administrative Officer

#### **ATTACHMENTS:**

Attachment A – CHA Backgrounder for the purchase of 447 Festubert St. City of Duncan  
2024.02.01

Attachment B – Project Report, Cowichan Housing Association & Cowichan Tribes – Next  
Steps for the New Foundations Project  
2023.09.01

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Attachment C – Preliminary Development Brief, Cowichan Housing Association New  
Foundations Project  
2024.01.15

Attachment D – Draft CVRD/CHA Bridge Funding Agreement  
2024.02.02