



**Mike Gidora Place – A New Housing Solution
“A Financial and Investment Analysis”**

**Sincere thanks to the Real Estate Foundation who provided
the grant to fund this analysis**



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Introduction from the Victoria Cool Aid Society

As you walk along Pandora Street on your way shopping or to work, you will see a building that we call Mike Gidora Place. Located at 749 Pandora St. in downtown Victoria between Douglas and Pandora Streets, the building combines 45 units of single occupancy housing with ground level commercial space in the front and office space in the back.

The report you are about to read is a recounting and analysis of the how the Victoria Cool Aid Society, and its partners, built Mike Gidora Place. The report discusses in detail how this project originated and proceeded, who the partners were, the financial and other contributions of the partners, and evaluates whether the goals of the project were met.

But, as you read this report we want you to know that Mike Gidora Place means much more to us than simply the building. Mike Gidora was the Manager of Finance for the Victoria Cool Aid Society and an active and respected member of the community. As anyone who knew Mike could tell you he was one of those people who lived for the challenge of finding solutions where others saw none. Mike Gidora Place is named in memory of Mike who passed away suddenly just prior to construction. Through Mike's dedication, energy and passion this project moved from concept to reality and his memory will always be associated with it.

I first became aware of what is now Mike Gidora Place one Saturday morning when I was walking down the street. Suddenly, Mike drove up, jumped out of his car and said; "I need \$2 million to build an apartment building." One of the issues facing our community has been the inability of the market to supply quality affordable rental housing. The major barrier has been the lack of incentive as there is simply not a return for the private sector in building rental housing. And while British Columbia is fortunate to be one of only two provinces with a provincial housing program for capital development, the allocated units each year do not meet the demand. And with no federal housing program in place for capital development increasing pressure is placed on the non-profit sector to look at alternatives.

In response Mike had an idea. At the time government was touting public-private partnerships or "P3's" as they have come to be known. The plan was simple, Cool Aid would act as the lead manager of the project, raise the funds from the private sector, work with government to secure the necessary approvals and additional support, and then design and construct a project to provide safe, comfortable, and modern housing to low income urban singles. All of this according to a market model. This project would then be used as an example to others that it could be done.

In this report you will read how the Victoria Cool Aid Society, Pacific Coast Savings Credit Union (now Coast Capital Savings Credit Union), the City of Victoria, the Real Estate Foundation of BC, VanCity Community Foundation, the British Columbia Housing Management Commission, CMHC – Homegrown Solutions and, the Vancouver Foundation all joined together to make Mike Gidora Place a reality.

The project was completed in August of 2000, and all the units were immediately rented, as was the commercial space while Cool Aid occupies the office space. Was it easy? No, of course not. Can it be done? Yes, and we proved it!

On behalf of the Victoria Cool Aid Society I would like to extend sincere thanks to the many individuals and organizations who were instrumental to the success of this project. All of our financial partners came to the table with a sense of goodwill and willingness to look at innovative partnerships. Also key to the project's success were our construction managers Canpro Construction and architects Williams + D'Ambrosio architects. Sincere thanks also need to be extended to the many board members and staff who worked tirelessly to see the project completed.

Bryan Thomson
Treasurer
Victoria Cool Aid Society
Board of Directors

Project Name: Mike Gidora Place

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Victoria, BC

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Architects:

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Section I – Project Background and Description

1.1 Project Developer

The Victoria Cool Aid Society is an active and well-respected non-profit community services organization that has been serving the needs of the residents of the downtown core of the City of Victoria since 1968. The Society was originally set up to provide short-term, emergency shelter for transient youth. Over the past thirty-three years, the organization has greatly expanded and diversified its range of services and programs in the downtown core of the City of Victoria.

The organisation's mandate is to "...build hope, lives and community by creating and supporting effective immediate and long-term services to children, youth, men and women in adverse situations". It provides food, shelter, housing, counselling, medical care, employment services, daycare, as well as, community recreation services for the most disadvantaged in the Greater Victoria area.

Cool Aid delivers its diverse range of services and programs with a staff of about 200. It gets most of its operating funds from government at the Federal, Provincial, Regional and Municipal levels. The organization's primary funding comes from various provincial ministries. Other funds are generated through contributions from the United Way, private donations and the collection of fees and rents. In total, Cool Aid received approximately \$5.2 million for its operations in the year ending March 31, 2001.

In early 2000, Cool Aid delivered and managed the following programs and services in the Greater Victoria area:

- Streetlink Emergency shelter** - 55-bed shelter for homeless adults, providing shelter, meals, hygiene supplies, showers, assistance in housing and access to services.
- Sandy Merriman Shelter for Women** - 12 bed emergency shelter and drop-in centre for women providing a range of services and supports.
- Kiwanis Emergency Youth Shelter** - 10-bed shelter for youth, who are at risk either in their home or on the street, provides individual and family counselling to reconnect youth with their families or caregivers.
- Pandora Project** - 32 apartments for adults and 8 apartments for youth who are either homeless or at risk of becoming homeless, provides a variety of support services.
- Swift Street Apartments** - 26 apartments for homeless at risk adults.
- Cool Aid Employment Services** - Job training and casual labour services for long-term social services recipients.
- Garden Gate Residence** - Residential facility for 6 chronic mentally ill adults.
- Downtown Outreach** - Assessment, referral and counselling services for street involved population in Victoria's Downtown.
- Downtown Alcohol and Drug Services** - Assessment, referral, counselling and support services to drug and alcohol dependent individuals in the Downtown to assist in breaking dependency.
- Cool Aid Daycare** - Quality and integrated childcare for twenty-five children and their families.
- Downtown Community Activity Centre** - Provides a variety of affordable and accessible recreational, sporting and social drop-in activities and programs for the Downtown community.

The Victoria Cool Aid Society's Board of directors has nineteen members. Most of the members have been associated with the organization for many years. Some, in fact, have been directors for close to ten years. The Board Members bring a breadth of experience and expertise to the direction of the Society. As a group, their backgrounds include the provincial civil service, marketing, nursing, law, engineering and architecture.

1.2 Project Objectives and Background

The Victoria Cool Aid Society's main objective in undertaking the development of a small suite design project was to address the need for affordable low-income urban singles housing in the downtown core of Victoria. A second important objective was to test and demonstrate the feasibility of using a public/private partnership and market-housing strategy as an alternative to the more traditional government sponsored Social Housing.

The need for low-income urban singles accommodation was confirmed by the "And Miles to Go" study, which was prepared by the Victoria Cool Aid Society and the Victoria Street Community Association in 1997. The report found that poverty and the lack of affordable housing for low-income singles were major issues in the Greater Victoria area. The report indicated that only 35% of low-income singles in the

downtown area live in traditional bachelor and one bedroom accommodation. 30% live in single room occupancy hotels and rooming houses, 16% live in shared accommodation, 9% live in basement suites and 11% live in “other” accommodation, suggesting that many in this last group were in fact homeless.

The report also suggested that much of the housing stock occupied by low-income singles is of low quality with poor security and limited privacy. In addition the study found that single residential occupancy units in the Victoria area are very small. They typically range from 60 to 120 square feet in size, only include shared bath and kitchen facilities and are more than sixty years old.

The effective elimination of the federal government’s Social Housing Programs and the limited capacity of the Province of B.C. to provide the resources required to meet the housing needs of its needy citizens has forced many community organizations to examine options which do not rely on government support.

As a result, the Board of Directors of the Victoria Cool Aid Society decided that if they could demonstrate the effectiveness of a “business based” market housing approach to housing problems, others might be able to replicate the model.

1.3 Project Description

The Mike Gidora Place project is located at 749 Pandora Avenue in the City of Victoria. The site is in the downtown area between two of the city’s main thoroughfares, Douglas and Blanshard Streets. The surrounding neighbourhood is largely made up of commercial buildings of varying ages and condition. Some of the properties in the area date back to the turn of the century; others are modern multi-storey buildings that have been constructed within the last few years.

The property to the east of the Mike Gidora Place site is occupied by another Victoria Cool Aid Society project, the Pandora Project that was completed in 1997. It includes 40 supported residential units, as well as, the Downtown Community Activity Centre, which operates a gymnasium and a community centre facility used by the residents of the downtown area.

Immediately behind the Mike Gidora Place project is the City of Victoria’s multi-storey Johnson Street Parkade that can be accessed by the public pedestrian walkway and courtyard on the east side of the project. On the west side, the city parkade’s Pandora Avenue exit-ramp occupies a three metre wide easement over the Mike Gidora Place property.

The building itself is four-storeys in height with a full basement. The basement and the ground level commercial floor are concrete construction. The second, third and fourth residential floors are wood-frame construction. The front of the building facing Pandora Avenue is clad in brick. Brick cladding is also used on the rear of the building that abuts

the Johnson Street Parkade. The other exterior elevations are basically clad in stucco. There is no parking provided on the site.

The building only covers two-thirds of the site because the residential units are orientated east and west in order to maximize the liveability of the units. All of the units face out on to the available side-yards, which on the east side of the building involves overlooking the pedestrian walkway and the courtyard. On the west side, the units are set well back from the neighbouring building and overlook the parkade exit-ramp. Some of the units have small balconies.

The residential floors are efficiently laid out with standard double-loaded corridors and stairwells at each end of the building. All four floors, as well as, the basement are serviced by an elevator that is accessible from the residential lobby and entrance located off of the pedestrian walkway and courtyard on the east side of the building. Sections of the second, third and fourth floors are cantilevered over the exit ramp by 10.8 feet in order to maximise the residential space available in the building.

Table 1.1 - Project Floor Area Summary

<i>Gross building area:</i>	<i>Basement</i>	<i>4,000 sq. ft.</i>
	<i>Ground floor</i>	<i>4,802 sq. ft.</i>
	<i>Second floor</i>	<i>5,088 sq. ft.</i>
	<i>Third floor</i>	<i>5,088 sq. ft.</i>
	<i>Fourth floor</i>	<i>4,944 sq. ft.</i>
	<i>Total</i>	<i>23,922 sq. ft.</i>
<i>Net commercial floor area:</i>	<i>Main floor commercial</i>	<i>945.59 sq.ft.</i>
	<i>Cool Aid employment Services</i>	<i>1,680.53 sq. ft.</i>
	<i>Cool Aid administration & storage</i>	<i>1,447.53 sq. ft.</i>
	<i>Total</i>	<i>4,073.75 sq. ft.</i>
<i>Net residential floor area:</i>	<i>3 - studio units – 186.2 sq. ft. + loft</i>	<i>558.6 sq. ft.</i>
	<i>24 -studio units – 187.3 sq. ft. + loft</i>	<i>4,495.2 sq. ft.</i>
	<i>9 -studio units – 205.8 sq. ft. + loft</i>	<i>1,852.2 sq. ft.</i>
	<i>3 - studio units – 258.3 sq. ft. + loft</i>	<i>774.9 sq. ft.</i>
	<i>1 -studio unit – 307.9 sq. ft. + loft</i>	<i>307.0 sq. ft.</i>
	<i>2 -one bed units – 453.2 sq. ft. + loft</i>	<i>906.4 sq. ft.</i>
	<i>3 - one bed units – 493.0 sq. ft. + loft</i>	<i>1,470.0 sq. ft.</i>
	<i>Sub-total</i>	<i>10,373.3sq. ft.</i>
	<i>Laundry and resident's lounge - basement</i>	<i>411.5 sq. ft.</i>
	<i>Resident's storage lockers - basement</i>	<i>910.5 sq. ft.</i>
	<i>Total</i>	<i>11,695.3 sq. ft.</i>

**Net Floor Areas are taken to the centre line for the suite party walls, the inside face of the exterior walls and the glass line of the windows.*

Loft Design

Although the floor area of the typical single residential occupancy unit is only 187.3 square feet, each SRO unit has a loft that effectively increases the habitable floor by 63.5 square feet to a total liveable area of slightly more than 250 square feet. By increasing the ceiling height of the residential floors to twelve feet, it was possible to provide the residents of the project with a secondary area within their unit that is typically 5.6 ft. by 11.4 ft. and 4.25 ft. high.

The innovative loft concept was introduced into the design of the project in order to contain the construction costs by limiting the gross floor area of the building and to theoretically provide for flexible “in-suite storage”.

Unlike most of the single residential occupancy units that are available in the market, the Mike Gidora Place project provides each resident with a private two-piece bath and shower, as well as, a complete kitchen with a standard refrigerator and stove. The larger units have a full bath and shower. Additional storage is provided for each unit in the basement along with a communal laundry facility and resident lounge.

Tenant Profile

When the rent-up stage was reached in September 2000, it became apparent that many potential tenants thought Mike Gidora Place was an extension of the supported housing program provided by Cool Aid’s Swift House and Pandora projects. Mike Gidora Place however, is intended to meet the needs of a different clientele than its other residential projects. It is operated on a self-sustaining basis, without the program funding and resources required to support and manage issues such as severe mental illness, drug addiction and alcohol dependency.

The majority of the people who live in Mike Gidora Place might be identified as the “working poor”. They are individuals who are on the fine line between being able to improve their economic circumstances and having to rely on the support of our social safety net. They work in entry-level jobs at minimum wage in the service and retail industries, or they are students and part-time workers. Some of the residents also have to rely on either Social Assistance or Disability Benefits as a source of income.

The ages of the residents range from 18 to 55 with an average age of slightly less than 30. The distribution between male and female tenants is close to 50-50. Almost 80% of the tenants earn less than \$1000 per month, which means that an average market apartment rent of \$480 in other projects would take up almost one half of their income.

Rental structure

The rents established by the Victoria Cool Aid Society at start-up were 87% of the estimated market rent. The project has been close to fully occupied since it became available last fall.

Table 1.2 - Mike Gidora Place Rent Structure

<i>Unit / Rent</i>	<i>Average project monthly rent (including utilities)</i>	<i>Range of project rents</i>	<i>Range of estimated market rents</i>
<i>Studio with loft</i>	<i>\$356.50</i>	<i>\$325.00 to \$450.00</i>	<i>\$400.00 to \$475.00</i>
<i>One bedroom with loft</i>	<i>\$625.00</i>	<i>\$600.00 to \$650.00</i>	<i>\$600.00 to \$700.00</i>

1.4 Project Development Overview

Site Acquisition

In July 1997, the Victoria Cool Aid Society started the process of investigating the development of a low-income urban singles project by approaching Canada Mortgage and Housing Corporation for funding under its Homegrown Solutions program. The grant provided by CMHC allowed Cool Aid to continue to test the feasibility of building a low-income urban singles project and to pursue its “small suite” design concept.

At almost the same time, the organization’s Housing Committee became aware of the fact that the Video Only property was listed for sale at \$399,000. The property was of interest to the group because of its location. Its proximity to both the Society’s major client base in the downtown core, as well as, the property’s location next to the recently completed Pandora Project and Community Recreation Facility made it ideal for Cool Aid’s purposes.

After several months of negotiations, Cool Aid purchased the Video Only property for \$300,000 in December 1997. The purchase was completely financed through the Pacific Coast Savings and Credit Union using what was essentially a commercial mortgage based on the value of the property, as well as, an additional \$100,000 in cash securities.

The purchase included an agreement that the vendor would continue to occupy the property as a tenant for at least six months. These arrangements were established in order to cover most of the financing costs while Cool Aid developed its design concept and completed its assessment of the proposed project’s financial viability. In the event that the project proved not to be viable and had to be put aside, Cool Aid’s fall back position

was going to be to either rent the property to another commercial tenant or move some of its own operations into the building.

Unfortunately, the vendor declared bankruptcy in early January 1998 and vacated the Video Only property. This left Cool Aid without a commercial tenant and without a revenue source to offset the financing costs associated with the purchase of the site. A replacement tenant was not found and the property remained essentially vacant for more than two years until it was demolished in preparation for the construction of the new project.

Planning and Design

Based on its connection with the Society's Board, the Campbell, Moore Group of Architects worked on the initial design of the "small suite" project without a fee until the Video Only site was purchased and a project architect was selected. Cool Aid's own staff prepared the cost estimates and financial projections used to assess the viability of the options being considered until the services of a professional cost consultant were engaged shortly after the property was acquired in December 1997.

Two initial design concepts were developed prior to the actual purchase of the Video Only site. One involved a three-storey building with ground floor commercial and two storeys of residential space containing 27 single residential occupancy units with lofts. The second approach was also based on a three-storey structure with commercial space on the ground floor but it included a partial basement and a larger footprint that could accommodate 38 units.

The first concept was considered to be financially unsustainable because of the limited number of residential units that could be included in its design. The second option was more cost effective but required concessions from the B.C. Housing Management Commission with regard to the future development of the adjacent Pandora Project. It also required access to the air rights over the City Parkade sidewalk and exit ramp.

The initial estimates for the second design option were in the range of \$1.3 to \$1.5 million.

Significant progress was made in the planning and design of the project during the first few months of 1998:

- The BC Housing Management Commission (BCHMC) was approached with regard to the possibility of agreeing to a restrictive covenant limiting additional construction on the Pandora Project site in order to facilitate the development of the new building.

- Cool Aid's mid-December proposal call for architectural services resulted in seven responses. Cool Aid selected the Wade Williams Corporation (now Williams + D'Ambrosio Architects) as the architects for the project in January 1998.
- At the same time, the Society selected CanPro Construction Ltd. as its cost consultant from the three firms who responded to its request for proposals. CanPro was so committed to Cool Aid's concept for the project that it offered to donate its services during the planning phase.
- Discussions continued with the Pacific Coast Savings Credit Union on the possibility of obtaining first mortgage financing for the construction of the project. In May 1998, Cool Aid made a formal application for funding to the Pacific Coast Savings Credit Union.
- Cool Aid began searching out equity partners and additional funding sources for the project, including the Real Estate Foundation of BC, VanCity Community Development Foundation, the Rising Tide Development Corporation (an arm of the Pacific Coast Savings Credit Union) and the BC Housing Management Commission.
- In early February, an all day design charrette was held in the existing Video Only building. In April, a second public meeting was held using a full size mock up of the proposed small suite design with a loft. Cool Aid and its architects used these opportunities to get input from potential tenants and to lobby representatives from BC Housing Management Commission and the City of Victoria for their support in building the proposed project.
- In February, the City of Victoria was approached with regard to the possibility of providing Cool Aid with air rights over the parkade exit ramp and sidewalk in order to allow for a larger and more efficient building design on the Video Only site.
- The architect completed the preliminary working drawings for the 34-unit project in late February and arrangements were made to begin the tendering of the project to the sub-trades.

During discussions concerning Cool Aid's access to the air rights over the exit ramp of the City's parkade in April 1998, the City's staff suggested that Cool Aid should consider purchasing the site outright instead of only acquiring the right to build over a part of the owned land. This new option caused the planning of the 34-unit project to be delayed while Cool Aid and its consultants considered the implications of doubling the size of the site.

The architect's preliminary designs for the project on the expanded site envisioned a four-storey building with up to 42 studio units and 6 one-bedroom units instead of only

34 studio units. Based on estimates prepared by Cool Aid's cost consultant, the hard construction costs for the project would have to increase from \$1,151,742 to \$2,135,000. It was clear however that if the City owned land could be acquired at a reasonable price, the size of the proposed project could be increased and its financial viability could be improved. The decision was therefore made by the Board of Directors of the Victoria Cool Aid Society to pursue the acquisition of the City's land even though it was anticipated that the project's start of construction would have to be delayed from July 1998 until at least April 1999. The final project design involved 40 studio and 5 one-bedroom units.

Further discussions with the City staff resulted in a recommendation to Council in May 1998 that the parkade exit off of Pandora Avenue be reduced in scale from two lanes to one lane. They also suggested that the city owned land be transferred to the Victoria Cool Aid Society in return for \$1.00 and a three metre wide easement over the site to accommodate the City parkade's reconfigured exit ramp. The transaction was not officially completed until April 1999.

On a parallel track with its negotiations on the transfer of the City's land, Cool Aid and its architects went through the City's development approval process. In order to make the expanded project financially sustainable, a series of exemptions were needed. The City gave its approval to Cool Aid's Development Permit for the project in September 1998. The approval allowed for an exemption to the City's 15-metre height restriction, the relaxation of the 4.5 metre side-yard requirement to zero and the elimination of the 31.5 parking space requirement for the building.

Project Financing and Construction

By early 1999, a considerable amount of progress had been made towards bringing a redesigned 45-unit building on stream. By April, the formal transfer of the City's land to Cool Aid had been completed, the working drawings were finalized, a fixed-price construction management contract was signed and 86% of the project construction had been tendered to the sub-trades.

The initial tendering process resulted in costs that were 2% higher than the construction manager's budget estimates. Most of the difference was attributed to the exterior rain screen system that was recommended by the project architect, in part, because of the building industry's concerns over the water penetration and "leaky condominium" issue in British Columbia.

In order to keep the costs in line with the project construction budget of \$2,139,091.86, the project team and its consultants made up the difference through minor changes to the project specifications.

At this point, the only missing element in the preparation for the start of construction was the finalization of the financing for the project.

The BC Housing Management Commission had approved a Rent Support Agreement for the project in May 1999 which helped to off-set part of the project's operating costs but would not be available for the actual construction. A combination of first mortgage financing and a secured line of credit was finalized with the Pacific Coast Savings Credit Union in July 1999.

In June 1999, the Real Estate Foundation of British Columbia agreed to provide a second mortgage for \$300,000 along with an operating grant. The grant effectively reduced the second mortgage interest rate to less than one per cent (semi-annual) over the loan's seven year term.

By August 1999, Cool Aid was confident that it would be able to finalize its arrangements for additional funding with the VanCity Community Foundation and the Vancouver Foundation. The decision was therefore taken to initiate the construction of the project on August 30, 1999.

Cool Aid's assessment of its ability to obtain additional funding proved to be accurate. In December 1999, the VanCity Community Foundation approved a mortgage of \$200,000, as well as, an annual grant that entirely offset the principal and interest payments for the first three years. In the same month, the Vancouver Foundation agreed to provide Cool Aid with a grant to assist in the development of its low-income urban singles project. The grant of \$50,000 was actually \$20,000 more than the amount for which Cool Aid had applied.

In January 2000, Cool Aid also made a capital grant request to the City of Victoria to facilitate the expansion of the Downtown Community Activity Centre into the new project. In April 2000, the City agreed and provided a \$20,000 grant to the project in addition to the land contribution it had already made.

The construction of the building took a little more than eleven months to complete instead of nine months as had been originally planned. Only a limited number of change orders were required. Some delays in construction did however occur due to the weather, an unexpected excavation problem during the foundation stage and a difficulty in obtaining the correct fasteners for the rain screen cladding on the exterior of the building.

Table 1.3 - Mike Gidora Place / Development Time Frame

Key Elements	1998						1999						2000													
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A
Land acquisition:																										
Video Only site																										
City owned site																										
Project designs:																										
Video Only concepts																										
Architect selection process																										
Expanded project design																										
Working drawings																										
Construction approvals:																										
BCHMC restriction																										
Development Approval																										
Financing approvals:																										
Video Only financing																										
Homegrown Solutions																										
Pacific Coast mortgage																										
Pacific Coast line of credit																										
BC Real Estate Foundation																										
City grant																										
VanCity Community Dev.																										
Vancouver Foundation																										
BCHMC agreement																										
Construction:																										
Selection of cost consultant																										
Sel. of construction manager																										
Tender to sub-trades																										
Construction																										

The final hard construction costs of the project totalled \$2,195,217.81 and were within one-half of one per cent of the construction manager’s budget estimate that was developed in April 1999. Higher than expected soft costs, which included furnishings, interest costs, property taxes and utilities, as well as, tenant improvements and GST drove the total project costs up to \$3,195,787.30.

Table 1.4 - Project Construction Costs

<i>Land costs:</i>		
- Video Only site	\$300,000.00	
- City owned land	1.00	\$300,001.00
<i>Hard costs:</i>		
- Building permit, sewer service	\$49,652.93	
- Hydro fees	19,603.00	
- Bonding	22,642.00	
- Elevator	53,700.00	
- Mechanical	316,264.00	
- Electrical	140,064.00	
- Construction & contingency	1,489,680.44	2,195,217.81
<i>Soft costs:</i>		
- Furnishings & appliances	\$40,285.89	
- Interest & fees	116,907.77	
- Property taxes	25,433.25	
- Consultants	197,353.70	
- Other	37,413.61	417,394.22
<i>Tenant improvements:</i>		189,787.28
<i>Net GST (estimated):</i>		93,386.99
<i>Total project costs:</i>		\$3,195,787.30

1.5 Financial Partners

The driving vision behind the Mike Gidora Place project was to develop affordable and financially sustainable accommodation for low-income urban singles through a market housing approach rather than the more traditional government sponsored model used by most community organizations. In order to meet this challenge, the Victoria Cool Aid Society relied on the support of numerous partners.

Homegrown Solutions

Homegrown Solutions is a partnership initiative of Canada Mortgage and Housing Corporation (CMHC), the Canadian Housing and Renewal Association (CHRA), the Canadian Home Builders’ Association (CHBA), the Federation of Canadian Municipalities (FCM) and the Co-operative Housing Federation (CHF). The initiative is funded by CMHC and managed on a day-to-day basis by the CHRA. The Homegrown Solutions initiative is intended to encourage the development of ideas and solutions that will enable local communities to meet their housing needs.

Cool Aid's July 1997 application to Homegrown Solutions for support proposed doing a feasibility study to assess the viability of constructing accommodation for low-income urban singles using a "small suite" approach, as well as, developing potential project designs and business plans for such a project.

Homegrown Solutions approved a grant to the Victoria Cool Aid Society in the amount of \$18,800 in October 1997. As intended, the funds were used to help finance the initial planning for the proposed project.

Pacific Coast Savings Credit Union

The Pacific Coast Savings Credit Union's (PCSCU), involvement with the Mike Gidora Place project began with the financing for the purchase of the Video Only site in 1997. PCSCU extended a \$300,000 commercial mortgage to Cool Aid for the acquisition of the property based on the security of the existing building and land, as well as, \$100,000 in cash securities. The securities pledged by Cool Aid came from the organization's unrestricted reserves and were in the form of Guaranteed Investment Certificates.

The loan payment of about \$1,800 per month was to be covered off by the \$2,500 (triple-net) rent payment collected from the tenant, Video Only.

Even before the arrangements for the financing of the Video Only site had been completed, Cool Aid began discussions with PCSCU on the financing of a proposed low-income urban singles project on the site. These early conversations focused on the possibility of PCSCU's newly formed Rising Tide Development Corporation being able to take an equity position in the project, as well as, providing a first mortgage of up to \$2.2 million at an interest rate of 5% to 5.5%. Cool Aid and the Rising Tide Development Corporation reached the stage of an agreement in principle before the concept of the lender taking an equity position had to be dropped because a suitable financial structure could not be found.

As an alternative to the lender taking an equity position in the project, the Rising Tide Development Corporation referred the Cool Aid project back to PCSCU with a recommendation that the proposal be financed at a preferred interest rate on a commercial basis.

An agreement in principle was reached with the PCSCU in May 1999 and was formally put into place in August 1999 when the construction of the project commenced. The financial arrangements with the PCSCU involved a conventional first mortgage (75% of lending value) of \$2 million and the innovative use of a secured line of credit for \$300,000. The line of credit had no set repayment schedule and was to be subordinate to the project's other capital debt.

The interest rate for the proposed first mortgage was established at 6.5%, compounded monthly, with a seven-year term and a 25-year amortization period. The interest rate for the secured line of credit was to be 4% when the Prime Rate at the time was 6.25%.

The mortgage included a provision for the payment of interest only during the construction phase of the project and required that Cool Aid place \$70,000 on deposit with the lender to secure these interest charges.

The \$300,000 line of credit was originally going to be fully secured by a GIC held by the lender and the interest earned from the security was to be used to be offset the cost of the loan. Cool Aid had to modify this aspect of the financial arrangements because it only had access to \$156,000 in GIC's. In May 2000, it was agreed that the line of credit would be secured by a collateral mortgage of \$112,080 on another property owned by the Society, \$38,920 in GIC's and \$149,000 in Canada Savings Bonds.

Real Estate Foundation of British Columbia

Cool Aid began to explore the possibility of the Real Estate Foundation's participation in the proposed small suite development in early 1998.

The Society made an official application to the foundation for financial support in the form of a \$300,000 interest free loan in January 1999. In March 1999, the Real Estate Foundation agreed to provide a second mortgage with an annual interest rate of 6% and an amortization period of six years. No payments on the loan were required during the first twelve months and the accumulated interest was to be added to the balance of the loan.

The Foundation also approved a grant that could be applied to outstanding balance of the loan on the completion of the project. This would reduce the interest rate of the loan to less than zero calculated on a semi-annual basis during the five-year repayment period.

The terms of the Foundation loan had to be amended in mid-1999 because the expected cash flow of the project declined when the interest rate for the Pacific Coast Savings Credit Union mortgage was finalized at a higher rate than had been expected. The Foundation agreed to extend the amortization period of its loan from six to seven years. This change slightly increased the effective semi-annual interest rate of the loan and grant combination to 0.81% but reduced the monthly payments from \$5,266.74 to \$4,526.45.

The Real Estate Foundation's interest in the Cool Aid project was motivated by more than a willingness to support affordable housing for low-income urban singles in the Victoria area. The Foundation's approval of the Society's request for assistance was also based on the Foundation's strategy of helping Cool Aid develop its market-housing model so it could be used again in the future to meet community-housing needs.

City of Victoria

The City of Victoria strongly supported Cool Aid's market housing initiative. The City's willingness to transfer its parkade-exit land to the Society made it possible to increase the size of the project and significantly contributed to the viability of the proposed project. The City also contributed to the project by providing a capital grant for the expansion of the Downtown Community Activity Centre into part of Mike Gidora Place.

The City's non-financial support for the Cool Aid project included making concessions on the building height, the minimum setback requirements and the amount of parking needed for the project during the Development Approval process.

BC Housing Management Commission

Although the BC Housing Commission (BCHMC) did not contribute directly to the capital costs of the project, its approval of an operating subsidy in May 1999 was a key factor in obtaining the Pacific Coast Savings Credit Union's first mortgage financing. Without the BCHMC subsidy, the project would have had an operating deficit based on the capital and operating cost estimates that were available at the time.

The BCHMC Rent Support Agreement with Cool Aid is one of only two such agreements in the Province of British Columbia. It makes assistance of up to \$375,000 available to the project over a period of fifteen years provided that at least 10 of the 45 units in the project are occupied by residents who are in Core Need and are rented at the shelter component allowed under the BC Benefits program. In the first seven years of the agreement, up to \$50,004 per year is available to the Society to offset the difference between the rents charged and the economic rents for the project.

The front-end loading of the operating subsidy was intentionally designed to offset the cash flow demands of the seven-year repayment schedule of the Real Estate Foundation's second mortgage.

VanCity Community Foundation

In March 1999, Cool Aid began to discuss the possibility of the VanCity Community Foundation providing a \$100,000 loan and grant combination to assist in the construction of the project.

The Foundation's response to the Society's request was favourable but it was only prepared to provide its funding over a five to seven year period. This would have resulted in cash flow problems during the initial years of the project's operation. Cool Aid was eventually able to renegotiate a twenty-five year amortization period with an interest rate of 6.075%, calculated semi-annually, as well as, a grant of \$15,463 per year for three years that would entirely cover the principle and interest payments on the loan for the first early years of the project's operation.

Vancouver Foundation

In July 1999, Cool Aid approached the Vancouver Foundation with a request for support in financing the expansion of the Downtown Community Activity Centre into the Mike Gidora Place building. The cost of the expansion was estimated to be \$82,500.

An official grant application for \$30,000 was forwarded to the Foundation in September 1999. In December 1999, however, the Foundation advised Cool Aid that a contribution of \$50,000 had been approved. The increase over the amount that was applied for was attributed to the importance of the project and the impact the grant would have on the financial stability of the project.

The Victoria Cool Aid Society

When the construction of the Mike Gidora Place project was started in August 1999, Cool Aid estimated that its direct financial contribution would be \$135,000 plus some \$70,000 in reserves for tenant improvements should Cool Aid Services occupy some of the commercial space. By the time the project was completed, the Society's direct investment had grown to \$285,000.

Cool Aid's financial investment in the project is actually even higher because of the fact that until the line of credit is paid off the society doesn't have access to the bonds, securities and property equity it deposited with its lender as security for its \$300,000 line of credit that went into the construction of the project.

Table 1.5 - *Project Capital Funding Summary*

Source of Funding:	Form of Funding:	Amount:
<i>Homegrown Solutions</i>	<i>Grant</i>	<i>\$18,800.00</i>
<i>Pacific Coast Savings credit Union</i>	<i>First mortgage</i>	<i>2,000,000.00</i>
	<i>Line of credit</i>	<i>300,000.00</i>
<i>Real Estate Foundation of BC</i>	<i>Second mortgage & grant</i>	<i>318,000.00</i>
<i>City of Victoria</i>	<i>Grant</i>	<i>20,000.00</i>
<i>Vancouver Foundation</i>	<i>Grant</i>	<i>50,000.00</i>
<i>VanCity Community Foundation</i>	<i>Third mortgage & grant</i>	<i>200,000.00</i>
<i>Victoria Cool Aid Society</i>	<i>Equity</i>	<i>285,000.00</i>
	<i>Account interest</i>	<i>8,893.66</i>
<i>Total funding</i>		<i>\$3,200,693.66</i>
<i>Total capital costs</i>		<i>3,195,787.30</i>
<i>Surplus</i>		<i>\$4,906.36</i>

In order to responsibly address debt retirement and contingency reserves the Society is currently implementing a variety of recommendations to ensure the ongoing sustainability the project. Addressing debt retirement will also be necessary prior to any consideration of a future development.

Section II – Key Strategies

In the early spring of 2000, seventy-five people met under the auspices of the Victoria Housing Affordability Challenge to discuss and identify innovative ways to meet the growing need for affordable housing in the Victoria area. The participants included builders, lenders, elected municipal officials, local government staff, architects, landlords, planners and social workers, as well as, the representatives of several non-profit housing organisations. They recognised that the private market was unable to respond to the need for affordable housing and that government programs, by themselves, were unable to meet the all of the demand.

Many of the creative strategies suggested by the participants of the Victoria Housing Challenge can be seen at work in the Victoria Cool Aid Society's development of the Mike Gidora Place project. They include:

- Access to funding provided by foundations and charities.
- Access to one time municipal capital grants.
- The use of donated publicly owned land.
- Municipal co-operation in zoning and building restriction changes.
- The removal of parking requirements by the municipality
- The leveraging of an existing non-profit group's equity.
- Structured financial arrangements.

2.1 Access To Funding Provided By Foundations

Real Estate Foundation of British Columbia Second Mortgage and Grant

The financing provided by the Real Estate Foundation of British Columbia in July 1999 involved a second mortgage, which was intended to assist in the construction of the project. The package also included a grant that could be used to pay down the loan principal and accumulated interest when the project was completed and the loan was placed under repayment.

The original loan was in the amount of \$300,000 with a term and amortisation period of seven years. The loan carried an interest rate of 6 per cent simple interest for the first twelve months and then 6 per cent compounded semi-annually during the remaining six years of the term. No payments were required during the construction phase of the project and the accumulated first year's interest of \$18,000 was added to the loan bringing the balance to \$318,000 after twelve months.

The Foundation's grant of \$45,575 was used to reduce the outstanding balance of the loan from \$318,000 to \$ 272,425 at the end of the first twelve months when the loan went under repayment. The monthly payment on the reduced principal of the loan was reduced to \$4,526.45.

Based on the reduced monthly payment and the funds that were advanced, including the accrued interest of \$18,000, the effective interest rate of the Foundation loan is actually 0.812% calculated on a semi-annual basis over six years.

Table 2.1 – Real Estate Foundation of BC Loan and Grant Summary

<i>Loan amount</i>	<i>\$300,000.00</i>
<i>Interest rate for the initial 12 months</i>	<i>6% simple interest</i>
<i>Accrued interest for 12 months</i>	<i>\$18,000.00</i>
<i>Loan balance at the end of 12 months</i>	<i>\$318,000.00</i>
<i>Less the Foundation grant</i>	<i>\$45,575.00</i>
<i>Repayable loan over 6 years</i>	<i>\$272,425.00</i>
<i>Monthly payment at 6% compounded semi-annually</i>	<i>\$4,525.45</i>
<i>Effective semi-annual interest rate</i>	<i>0.812%</i>

The repayment of the Foundation loan over six years on these favourable terms will mean that Cool aid’s “paper equity” in the project will increase quite dramatically over a relatively short period of time. By March 31, 2007, the Society’s second mortgage will be fully repaid and the debt of the project will be reduced by \$318,000.

VanCity Community Foundation Third Mortgage

The loan and grant combination provided by the VanCity Community Foundation gives the Mike Gidora Place project a little breathing room during the first few years of its operation.

Table 2.2 – VanCity Community Foundation Loan and Grant Summary

<i>Loan amount</i>	<i>\$200,000.00</i>
<i>Interest rate</i>	<i>6% monthly</i>
<i>Loan term</i>	<i>Twenty-five years</i>
<i>Loan amortisation</i>	<i>Twenty-five years</i>
<i>Monthly payment</i>	<i>\$1288.60</i>
<i>Prepayment</i>	<i>Open</i>
<i>Annual grant for 3 years</i>	<i>\$15,463.20</i>

The \$200,000 loan has a semi-annual interest rate of 6.075 per cent (6% compounded monthly) and an amortisation period of twenty-five years. The interest adjustment date for the loan was set for March 2000 when the project was still under construction. The third mortgage is open and can be repaid at any time by the borrower.

In addition to its first mortgage financing, the VanCity Foundation agreed to provide Cool Aid with an annual grant of \$15,463,20 for the first three years. The grant entirely offsets the annual principal and interest payments for the first three years.

Vancouver Foundation

As noted earlier, Cool Aid was able to secure a \$50,000 grant from the Vancouver Foundation for the expansion of the Downtown Community Activity Centre into the Mike Gidora Place project. The contribution to the construction of the project represented 1.56% of the total capital costs of the project.

2.2 Access To one-time Municipal Grants

The City of Victoria also contributed to the expansion of the Downtown Community Activity Centre and the construction of the Mike Gidora Place project through a \$20,000 grant.

2.3 Donation of Publicly Owned Land

In addition to providing a capital grant for the construction of the Mike Gidora Place project, the City of Victoria transferred the ownership of its parkade land adjacent to the Video Only site to Cool Aid for one dollar. In order to protect the City's investment in the project, the agreement contains a clause that would require the Society to pay the City \$250,000 if the land is ever sold.

The combination of the Video Only site and the City's parkade exit land was appraised at \$586,077 in 1998. This means that the City's financial contribution to the project in land could be valued at between \$250,000 and \$286, 000.

2.4 Municipal Co-operation in Zoning and Building Restriction Changes

In order to help make the Mike Gidora Place project possible, the City of Victoria agreed to make several changes to its zoning regulation bylaw. The City's 15-metre building height limit was relaxed to accommodate the higher ceilings that are associated with the project's four-storey loft design. The minimum 4.5 metre side-yard setback requirements were eliminated, which allowed for a better building orientation, as well as, an increase in the number of units in the project.

The City also agreed to reduce the parking requirements from 31.5 spaces to zero, which recognised the needs of the clientele being served and reduced the project's cost of construction.

2.5 Leveraging of an Existing Non-profit Organisation’s Equity

Unlike many other non-profit organisations, the Victoria Cool Aid Society had access to limited capital resources in the form of unrestricted reserves, which it used for the development of the Mike Gidora Place project. The Society’s direct investment in the project amounted to \$285,000, including \$70,000 in tenant improvements.

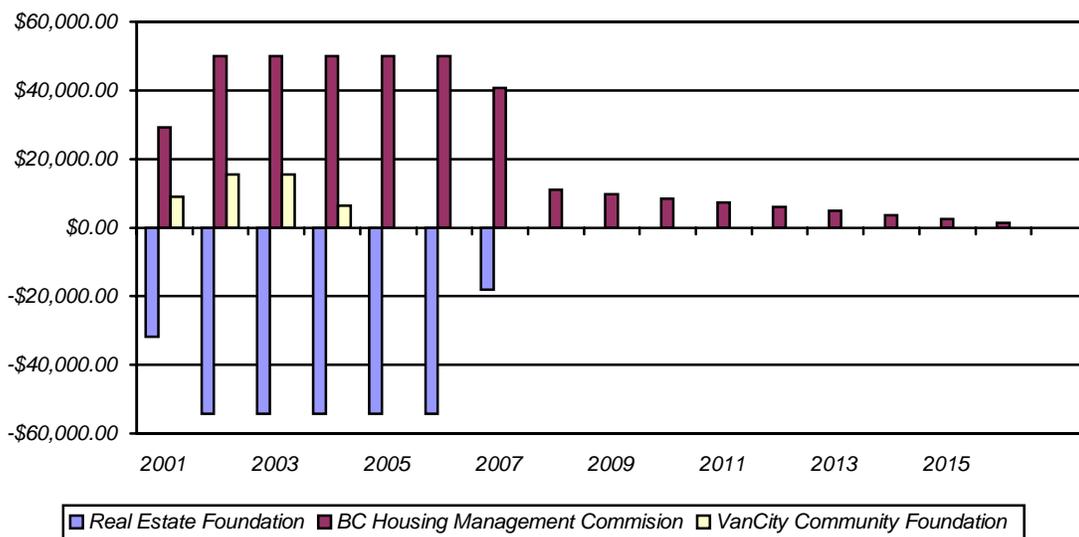
Cool Aid’s direct investment represents about 8.9% of the total project costs. The Society supplemented its equity position with capital grants totalling \$87,000 from the City of Victoria, the Vancouver Foundation and CMHC. It then used its equity to secure \$2,800,000 in financing from the Real Estate Foundation of British Columbia, the VanCity Community Foundation and the Pacific Coast Savings Credit Union.

In total, Cool Aid was able to lever its \$285,000 investment by more than ten-fold into a total capital investment of \$3,195,787.

2.6 Structured Financial Arrangements

Although the major financing for the construction of the Mike Gidora Place project came from the first mortgage provided by the Pacific Coast Savings Credit Union, the Real Estate Foundation second mortgage of \$318,000 actually determined how the rest of the financing package had to be structured. The Real Estate Foundation loan is amortised over only six years. This means that although the effective interest rate is close to zero, the annual payment of \$54,305 that is required to support the loan has a significant impact on the project’s cash flow during the early years of its life.

Chart 2.1 – Offsetting the Real Estate Foundation Loan Payments



To offset the impact of the second mortgage's short amortisation, Cool Aid had to front-load the financial assistance provided by both the VanCity Community Foundation and the BC Housing Management Commission. The annual grant that accompanied VanCity's third mortgage will be distributed over the first thirty-six months of the project's operation. Eighty-five per cent of the \$375,000 subsidy that is available from the BC Housing Management Commission (BCHMC) Rent Support over fifteen years will be drawn down in first the seven years of the agreement.

The result is that both the VanCity grant and the BCHMC subsidy will end up being devoted almost entirely to providing the cash flow required to retire the Real Estate Foundation loan over six years.

Given the creative way that the package has been structured, Cool Aid will be able to convert the \$318,000 Real Estate Foundation second mortgage into equity over six years through the use of the grants and subsidies provided by VanCity and BCHMC.

Pacific Coast Savings Credit Union First Mortgage

The Pacific Coast Savings Credit Union (PCSCU) provided the \$2,000,000 construction loan and first mortgage needed for the core financing of the Mike Gidora Place project. The interest rate for the loan is 6.5% calculated on a monthly basis or 6.589% on a semi-annual basis. The mortgage is amortised over twenty-five years with a seven-year term. The mortgage is closed and cannot be repaid in full without a prepayment penalty. It does, however, provide for partial prepayments of the outstanding principle of up to 20 per cent on the anniversary date of the loan without penalty. It also provides for the prepayment of up to 20 per cent of the regular monthly payment each month. .

Cool Aid's selection of a seven-year rather than a five-year term allowed the Society to mitigate its interest rate risk by postponing the renewal date of the loan.

Table 2.3 – Pacific Coast Savings Credit Union First Mortgage Summary

<i>Loan amount</i>	<i>\$2,000,000.00</i>
<i>Interest rate</i>	<i>6.5% monthly</i>
<i>Loan term</i>	<i>Seven years</i>
<i>Loan amortisation</i>	<i>Twenty-five years</i>
<i>Monthly payment</i>	<i>\$1,3505.00</i>
<i>Prepayment</i>	<i>Closed</i>

The seven-year term of the first mortgage matches the amortisation period of the Real Estate Foundation loan. This means that Cool Aid will have a period of relative financial stability and will not be exposed to the possibility of having to make higher first mortgage payments due to increased interest rates on renewal until its second mortgage has been fully retired.

During the construction phase of the project, PCSCU provided the \$2,000,000 construction loan to the Victoria Cool Aid Society. Only the interest on the outstanding balance of the funds advanced had to be paid while the project was under construction. The construction loan required that Cool Aid deposit \$70,000 in cash with the lender to cover the expected interest costs. The construction loan was repayable on demand and was advanced on a standard cost-to-complete basis using a quantity surveyor to estimate the value of the work in place.

The permanent financing provided by PCSCU is a conventional, uninsured mortgage, which means that the loan was restricted to 75 per cent of the project's estimated lending value of \$2,662,500 at the time of the loan commitment.

The lender based its assessment of the project's lending value on a private appraisal report, which indicated that the income of the project, including an annual subsidy of \$25,000 from BCHMC, would be more than enough to support the loan. The debt coverage ratio (DCR) of the loan was calculated to be 1.22. (DCR = net income before taxes and depreciation divided by the annual mortgage payment of principle and interest).

Lenders commonly use a debt coverage ratio calculation to assess the level of risk involved in a loan and the ability of the borrower to repay it over time. A DCR of 1.22 would ordinarily be seen as being extremely good. The calculation, however, fails to take into account the cost of the other project debt and assumes that the proponent's equity is in place to cover the balance of the construction costs.

In the case of the Mike Gidora Place project, Cool Aid's total debt coverage ratio, including all of its project financing, is actually 0.983 based on the project's current rental structure.

Ordinarily, a borrower can obtain a higher level of mortgage financing and a better interest rate by having its loan insured on an NHA basis through Canada Mortgage and Housing Corporation (CMHC). Cool Aid and its lender did, in fact, give some consideration to the possibility of arranging for an NHA Loan of up to 85 per cent of lending value. However, they found the process of applying for NHA financing to be frustrating and assumed that the cost of CMHC's mortgage insurance would offset any interest rate advantage that might be achieved. Cool Aid therefore decided to proceed with its first mortgage financing on a conventional basis.

An informal survey of NHA loan commitments suggests that Cool Aid's decision might not have been entirely appropriate. NHA rental loans with terms of 5 and 10 years were being funded at 5.77% to 5.95% between June and August 1999. The addition of CMHC's application fees and insurance premium would have increased the effective interest rate of a 75% NHA loan from 5.95% to 6.33% over the life of the loan.

This means that the interest rate for an NHA loan and the resulting monthly mortgage payments might have been slightly better than the 6.589% semi-annual rate proposed by PCSCU on a conventional basis.

Pacific Coast Savings Credit Union Line Of Credit

In addition to its first mortgage financing, the Pacific Coast Savings Credit Union structured a \$300,000 line of credit for the construction of the Mike Gidora Place project. The creative use of the line of credit concept allowed Cool Aid to convert some of its net assets and invested reserves into equity for the project without having to actually sell the assets themselves.

The PCSCU line of credit is subordinate to the three mortgages that provide most of the funds needed for the construction of the project. The loan however, is fully secured by an unlimited collateral mortgage on another property that is owned by the Society, as well as, \$38,920 in GIC's and \$149,000 in Canada Savings Bonds.

Interest on the line of credit accrues at an annual rate of 4%, which is calculated and paid monthly. The loan has no predetermined repayment schedule but it is subject to a review at least once a year by the PCSCU and it is repayable in full at the lender's option at any time.

Table 2.4 – Pacific Coast Savings Credit Union Line of Credit Summary

<i>Loan amount</i>	<i>**\$300,000.00</i>
<i>Interest rate</i>	<i>4% calculated monthly</i>
<i>Amortisation</i>	<i>No repayment schedule</i>
<i>Term</i>	<i>Reviewed annually</i>
<i>Prepayment</i>	<i>Open</i>
<i>Payment</i>	<i>Interest only based on the outstanding balance</i>

*** \$202,000 advanced as of March 2001 pending the payment of GST owing.*

BC Housing Management Commission Rent Support Agreement

The Rent Support Agreement between the Victoria Cool Aid Society and the BC Housing Management Commission is one of only two such agreements in the province. It covers a fifteen-year period and provides for the payment of up to \$50,004.00 per year to Cool Aid in order to make up the difference between the rent paid by at least ten tenants in core need and the economic rent of the units they occupy. The maximum level of funding to Cool Aid over the life of the agreement is \$375,000.

The maximum subsidy that is available to the Society is heavily loaded into the first seven years in order to ensure the project's financial viability during the early years of its operation. The Rent Support subsidy provided by the BC Housing Management

Commission offsets the impact of the having to amortise the Real Estate Foundation loan over seven years.

Table 2.5 – BC Housing Management Commission Rent Support Subsidy Schedule

<i>Period</i>	<i>Maximum Annual Payment</i>
<i>September 1, 2000 to March 1, 2001</i>	<i>\$29,169</i>
<i>April 1, 2001 to March 1, 2002</i>	<i>\$50,004</i>
<i>April 1, 2002 to March 1, 2003</i>	<i>\$50,004</i>
<i>April 1, 2003 to March 1, 2004</i>	<i>\$50,004</i>
<i>April 1, 2004 to March 1, 2005</i>	<i>\$50,004</i>
<i>April 1, 2005 to March 1, 2006</i>	<i>\$50,004</i>
<i>April 1, 2006 to March 1, 2007</i>	<i>\$40,860</i>
<i>April 1, 2007 to March 1, 2008</i>	<i>\$11,004</i>
<i>April 1, 2008 to March 1, 2009</i>	<i>\$9,744</i>
<i>April 1, 2009 to March 1, 2010</i>	<i>\$8,496</i>
<i>April 1, 2010 to March 1, 2011</i>	<i>\$7,260</i>
<i>April 1, 2011 to March 1, 2012</i>	<i>\$6,048</i>
<i>April 1, 2012 to March 1, 2013</i>	<i>\$4,848</i>
<i>April 1, 2013 to March 1, 2014</i>	<i>\$3,672</i>
<i>April 1, 2014 to March 1, 2015</i>	<i>\$2,508</i>
<i>April 1, 2015 to March 1, 2016</i>	<i>\$1,371</i>
<i>Total</i>	<i>\$375,000</i>

2.7 Summary

The Victoria Cool Aid Society undertook the development of the Mike Gidora Place project with two objectives in mind. The first was to provide affordable accommodation for low-income urban singles in the downtown core of Victoria. The second objective was to test the feasibility of a market housing strategy in partnership with others as an alternative to the traditional government sponsored Social Housing approach to meeting the housing needs of the community.

It is clear that the Society has successfully met both of these objectives. The Mike Gidora Place project has added forty-five new residential units to the supply of affordable housing in the downtown core of the City of Victoria. This accommodation is obviously safer and much more liveable than most of the privately owned single residential occupancy units that are available in the community.

Cool Aid’s creative use of partnerships provides other organisations with a development template that can be adapted for use elsewhere to meet the community’s urgent housing needs without having to rely entirely on established government programs.

A private developer could not have undertaken the Mike Gidora Place project. The difference between the project’s lending value and its cost of construction would have required an equity investment of more \$1 million from a private developer. This would have only provided a return on investment of 1% to 2%.

The construction of Mike Gidora Place reinforces the recommendations of the Victoria Housing Affordability Challenge by demonstrating that it is possible to respond to the need for affordable housing through a “market housing” strategy in partnership with others. The model adopted by Cool Aid confirms that non-profit organisations can supplement their own resources with municipal, private foundation and lender support to develop affordable housing in our communities.

Section III – Other Low-income Urban Singles Projects

The Victoria Cool Aid Society used a “market housing” model to develop the Mike Gidora Place project and to address the need for more affordable low-income urban single housing in its community. However, other non-profit organisations across the province have approached the same problem by using different approaches. Most of these non-profit groups have taken advantage of the Provincial BC Homes Program. Others have identified specific opportunities within their community and have employed unique, one-off solutions. At the same time, private developers have helped to meet the need for affordable housing through the Federal Government’s Residential Rehabilitation Assistance Program (RRAP).

John Howard Society

The John Howard Society in Kamloops operates two projects for low-income urban singles. Their first is called the Lighthouse and is located at 1605 East on the Trans Canada Highway. The building was originally a privately owned and operated motel. The property was acquired by the Provincial Transportation and Highways Ministry in the early 1990’s and had been vacant for six years before it was made available to the John Howard Society for its use.

Having recognised the building’s potential, the John Howard Society persistently lobbied the Provincial Transportation and Highways Ministry for several years in an effort to have the vacant motel turned over to it for non-profit housing purposes. The John Howard Society eventually gained the support of the provincial officials within the Ministry and was able to convince them to lease the building one-dollar per year in 1998.

The eighteen-unit, two-storey motel re-opened as a residential project for low-income singles in November 1999 after it had been renovated. All of the units are fully furnished because the clientele being served typically does not have their own furniture. The project includes a common amenity area for the residents, as well as, two offices that support the John Howard Society’s outreach programs for the tenants.

BC Housing Management covered the \$150,000 cost of the project renovations. It also agreed to provide the project with an annual operating grant of \$89,000. Tenants pay \$325 per month for their accommodation. Most of the eighteen residents are involved in at least one of a variety of federally and provincially supported probation, parole and forensic programs.

Since the project is being leased from the Province at a nominal cost and because the renovations were funded by BCHMC, the John Howard Society was able to bring the Lighthouse project on stream without having to secure long-term capital financing or use its own capital resources.

The Lighthouse project is a good example of how a non-profit organisation can identify and fill a community need by accessing surplus publicly owned land and buildings.

The John Howard Society's second low-income urban singles project is called the Victory Inn and will be ready for occupancy in July 2001. It is a new three-storey building located at 1429 Halston Avenue in the City of Kamloops. The project has 32 one-bedroom units. Two of the units are handicapped accessible. The typical unit is 600 square feet in area and will rent for \$325 per month.

The Victory Inn project was developed under the Provincial BC Homes Program with the help of a development consultant. Under the program, the John Howard Society did not have to provide a direct financial investment in order to construct the project. With the exception of the \$90,000 development charges that were waived by the City, all of the capital costs for the project are being financed through a \$2,726,570 first mortgage. The Royal Bank has provided both the interim construction financing and the long-term mortgage financing. The first mortgage is insured by CMHC and guaranteed by the Province of British Columbia.

The land for the project has been purchased by BC Housing Management and leased back to the John Howard Society for sixty years. The \$195,960 cost of the prepaid lease has been included as part of the project's capital costs and will be financed through the first mortgage.

The capital costs of the Victory Inn project are expected to be \$2,822,840 or \$88,213.75 per unit once it has been completed. The actual construction has been carried out on a "design-build" basis using a contractor identified by the society's development consultant. The contractor initially acquired the site for the project after a committee from the City had identified the site. The contractor also engaged the architect for the design and built the project on a fixed price basis.

The Real Estate Foundation of British Columbia provided an additional \$140,000 for "non-capital" project costs. These funds are being used for furniture, a fireplace in the common area, as well as, a gazebo and a barbeque that will be used by the residents.

The John Howard Society has furnished fifteen of the Victory Inn units because it was recognised that many of the tenants would not have their own furniture when they first move into the project. The furniture has been purchased with some of the funding provided by the Real Estate Foundation of BC. The local hotel association has made arrangements that will allow the John Howard Society to buy furniture at wholesale prices. The saving will be passed on to the tenants who may wish to keep their furniture when they become more established in the community and move out of the project as other accommodation options become available to them.

Main and Hastings Community Development Society

The Main and Hastings Society operates three projects for low-income urban singles in the downtown core of Vancouver. The group's most recent projects are located at 40 East Hastings and 668 Powell. The 40 East Hastings project was completed in August 2000 and the 668 Powell project is expected to be ready for occupancy in the summer of 2001.

Both projects have been constructed using a "design-build" approach. The 40 East Hastings and the 668 Powell projects were built for the Society by developers who arranged for the land, architects and sub-consultants on the basis of an all-inclusive fixed price.

The 40 East Hastings project is a four-storey building with a partial basement. The typical size of its 84 studio units is 320 square feet. The units are self-contained with a full kitchen and a private bathroom. One of the units is handicapped accessible. The ground floor of the project includes a limited amount of office space for the project's administration and an amenity area for the residents. There is no commercial component to the building.

The 668 Powell project also has four stories and does not have a commercial / retail component. The project will have 60 studio units, as well as, one one-bedroom unit, which will be handicapped accessible. The studio units will be about 360 square feet in size and will have a kitchen, as well as, a private bathroom. The ceilings of the units are all nine feet high in order to provide an airier feeling to the units and to enhance their liveability.

The 40 East Hastings project and the 668 Powell project were both developed under the Province's BC Homes Program. The monthly rent for a unit will be \$325 for qualifying tenants. The entire costs of construction have been funded through private first mortgage financing with CMHC mortgage insurance. The land for the 40 East Hastings project is owned by the City of Vancouver. The Province of British Columbia through an arm of BCHMC owns the land for the 668 Powell project.

In both cases, the Main and Hastings Community Development Society has secured the use of the land through a long-term, prepaid lease that has been financed as part of the capital costs of the projects. In addition, the Province has written down the cost of the land lease for the 668 Powell project by twenty-five percent from \$599,000 to \$449,250.

The total cost of the 40 East Hastings project was \$6,121,251, including the cost of the prepaid lease, or about \$72,872 per unit. The final costs of the 668 Powell project are expected to be \$4,620,931 or \$75,021 per unit.

Vancouver Native Housing Society

The Vancouver Native Housing Society has been involved in non-profit housing since 1984. It has developed twelve affordable housing projects that include 444 units. Most of their projects are family orientated and are located in central and eastern Vancouver.

The Society's first and, so far, only low-income urban singles project was completed in October 2000. It is located at 27 West Pender in Vancouver. The project is a seven-storey building with 98 residential units and includes ground floor commercial space and nineteen underground parking spaces.

The project has 77 studio units, 5 handicapped accessible studio units, 10 one-bedroom units and 6 handicapped accessible one-bedroom units. The typical studio unit has about 300 square feet of floor area. Like the John Howard Society's project in Kamloops, forty of the ninety-eight units in the 27 West Pender project are furnished. All of the units have balconies.

The units are rented at \$325 per month or the shelter component of welfare. The majority of the tenants are on social assistance. Thirty-five of the residents are supported by provincially funded mental health, HIV / AIDS and addiction programs. The project has a Community Living Support Worker, as well as, a health office that is funded by the Vancouver and Richmond Health Board.

The ground floor of the building contains 4,177 square feet of retail space. The space has been leased back to the City of Vancouver, which sublets the area on a commercial basis. This arrangement, in effect, removes the potential risks of running the commercial space from the Society's operations.

The land for the 27 West Pender project had an estimated market value of \$1,150,000 when construction began and is leased to the Vancouver Native Housing Society by the City of Vancouver. The total construction costs, excluding the land, were funded through a first mortgage in the amount of \$7,694,988 under the Province's BC Homes Program.

The project was constructed using a public tender approach with the help of a development consultant. The Vancouver Native Housing Society retained its own architect and then selected its contractor through a competitive bidding process to construct the project.

Ritz Hotel

The Ritz Hotel is an eighty-one year old five-storey building located at 706 – 714 Front Street in the central core of the City of Victoria. The building contains 97 single residential occupancy (SRO) units, as well as, about 3,100 square feet of commercial space on the ground floor. It was purchased and renovated by a private developer in August 2000 with the help of the Federal Government's Residential Rehabilitation Assistance Program (RRAP), which sets limits on the rent that can be charged.

The purchase price of the property was \$3,000,000. The cost of renovations amounted to \$1,125,898. The renovations included a new elevator, plumbing and wiring upgrades, a new roof, new boilers, as well as, the full upgrading of the interior walls, floors, fixtures, kitchens and finishings.

Only a few of the units have a private bath and full kitchen facilities. Most of the units have a hand sink and hot plate for food preparation. The average rent is in the area of \$350 per month.

The acquisition of the building was financed with a \$1,850,988 first mortgage that was insured by CMHC. The renovations were financed through two forgivable RRAP loans, one in the amount of \$57,898 and the other for \$1,068,000. The average cost per unit, including renovations and the commercial space, was \$42,535.

Summary

In total, the six projects reviewed in this section represent either the construction or renovation of more than four hundred low-income urban single housing units in Victoria, Vancouver and Kamloops over the last couple of years. The diversity of the financing and development approaches used to bring these units on stream points out that there is no single universally appropriate strategy for meeting the growing need for affordable accommodation.

Although all of the projects presented in this section of the report serve the same broad clientele, there are some differences that make a direct comparison difficult. The residents of the Mike Gidora Place project in Victoria are largely made up of the 'working poor'. The majority of residents in the provincially funded John Howard, Main and Hastings and Vancouver Native projects are dependent on Social Assistance support. In addition, all of the BC Homes Program projects provide extensive onsite tenant support services for various addiction and health issues, as well as, twenty-four hour a day security while the Victoria Cool Aid Society project is operated more like a conventional market orientated residential housing project.

The four new projects developed by the John Howard Society, the Main and Hastings Community Development Society and the Vancouver Native Housing Society were funded under BCHMC's BC Homes Program and are supported by an operating subsidy

on an ongoing basis. The level of assistance provided under the program's operating agreement allows these groups to limit the rents they charge to the Social Assistance shelter component of \$325 per month.

Even though its rents are below market, the Victoria Cool Aid Society's "market housing" approach means that all but ten of its units are unsubsidized. This means that it has to rent most of its units at levels that will cover the project's financing and operating costs. As a result, the rents for most of the units in the Mike Gidora Place project are slightly higher than those of the other non-profit projects that have been reviewed.

Another difference between the Victoria Cool Aid project and the other non-profit buildings is the size of the units. The projects funded under the BC Homes Program all have units that are larger than 187 square foot (250 sq. ft. with loft) studio units that are available in the Mike Gidora Place project. The Victory Inn project is basically made up of 600 square foot one-bedroom units while the other BC Homes Program supported projects are largely made up of 300 to 360 square foot studio units.

Although zoning, density and building setback issues obviously influenced the size and number of the Mike Gidora Place units, the capital cost constraints of a "market project" dictated that the units had to be as efficient as possible in order to maximize the project's residential revenue per square foot. The Victoria Cool Aid Society's response to the situation was the adoption of its innovative loft design that increased the useable floor area of a typical unit by one-third.

The Victoria Cool Aid Society's market approach is virtually unique among non-profit organisations. It is encouraging to note however that the John Howard Society in Kamloops is currently planning the development of a third low income urban singles project based on a model that is very similar to the market approach used by the Victoria Cool Aid Society.

Table 3.1 – Project Comparison

Project Description:	Mike Gidora Place	Victory Inn	668 Powell
<i>Sponsor</i>	<i>Victoria Cool Aid</i>	<i>John Howard Society</i>	<i>Main and Hastings</i>
<i>Client group</i>	<i>Low-income single</i>	<i>Low-income singles</i>	<i>Low-income singles</i>
<i>Location</i>	<i>749 Pandora, Victoria</i>	<i>1429 Halston, Kamloops</i>	<i>688 Powell, Vancouver</i>
<i>Site purchase date</i>	<i>Dec. 1997</i>	<i>Dec. 2000</i>	<i>Dec. 1997</i>
<i>Age of building</i>	<i>New / Aug. 2000</i>	<i>Under construction</i>	<i>Under construction</i>
<i>Lot area</i>	<i>7,190 sq. ft.</i>	<i>32,583 sq. ft.</i>	<i>12,200 sq. ft.</i>
<i>Land tenure</i>	<i>Freehold</i>	<i>Prepaid lease</i>	<i>Prepaid lease</i>
<i>Number of stories</i>	<i>4 stories with basement</i>	<i>3 stories, no basement</i>	<i>4 stories, no basement</i>
<i>Parking spaces</i>	<i>None</i>	<i>32 spaces</i>	<i>6 surface spaces</i>
<i>Residential area</i>	<i>11,695 sq. ft.</i>	<i>23,381 sq. ft.</i>	<i>31,542 sq. ft.</i>
<i>Non-residential area</i>	<i>4,073.7 sq. ft.</i>	<i>None</i>	<i>None</i>
<i>Total floor area</i>	<i>23,922 sq. ft.</i>	<i>23,381 sq. ft.</i>	<i>31,542 sq. ft.</i>
<i>Total number of units</i>	<i>45 residential units</i>	<i>32 residential units</i>	<i>61 residential units</i>
<i>Typical unit floor area</i>	<i>187 sq. ft. (plus loft)</i>	<i>600 sq. ft.</i>	<i>360 sq. ft.</i>
<i>Unit breakdown</i>	<i>5 one-bedroom / loft</i>	<i>30 one-bedroom</i>	<i>60 studio</i>
	<i>40 studio / loft</i>	<i>2 one-bed, handicapped</i>	<i>1 one-bed, handicapped</i>
Capital Financing:			
<i>Developer equity</i>	<i>\$293,893.66</i>	<i>None</i>	<i>None</i>
<i>First mortgage</i>	<i>\$2,000,000.00</i>	<i>\$2,726,570.00</i>	<i>\$4,471,181.00</i>
<i>Second mortgage</i>	<i>\$318,000.00</i>	<i>None</i>	<i>None</i>
<i>Third mortgage</i>	<i>\$200,000.00</i>	<i>None</i>	<i>None</i>
<i>Other financing</i>	<i>\$300,000.00</i>	<i>None</i>	<i>None</i>
<i>Grants, contributions</i>	<i>\$88,800.00</i>	<i>\$90,000.00</i>	<i>(Lease) \$149,750.00</i>
<i>Total</i>	<i>\$3,200,693.66</i>	<i>\$2,816,570</i>	<i>\$4,620,931.00</i>
Capital costs:			
<i>Land costs</i>	<i>\$301,000.00</i>	<i>(Lease) \$195,960.00</i>	<i>(Lease) \$599,000.00</i>
<i>Hard costs</i>	<i>\$2,195,218.00</i>	<i>\$1,988,695.00</i>	<i>\$3,149,308.00</i>
<i>Soft costs</i>	<i>\$417,394.00</i>	<i>\$561,669.00</i>	<i>\$706,453.00</i>
<i>Other costs</i>	<i>\$187,787.00</i>	<i>None</i>	<i>None</i>
<i>Net GST</i>	<i>\$93,387.00</i>	<i>\$76,516.00</i>	<i>\$121,520.00</i>
<i>Total costs</i>	<i>\$3,195,787.00</i>	<i>\$2,822,840.00</i>	<i>\$4,576,281.00</i>
Calculations;			
<i>Total costs / unit</i>	<i>\$71,017.49</i>	<i>\$88,213.76</i>	<i>\$75,021.00</i>
<i>Land costs / unit</i>	<i>\$6,666.69</i>	<i>\$6,123.75</i>	<i>\$9,819.67</i>
<i>Hard costs / unit</i>	<i>\$48,782.62</i>	<i>\$62,146.72</i>	<i>\$51,628.00</i>
<i>Soft costs / unit</i>	<i>\$9,275.42</i>	<i>\$17,552.16</i>	<i>\$11,581.20</i>
<i>Cost / total sq. ft. (excluding land)</i>	<i>\$121.05</i>	<i>\$112.35</i>	<i>\$126.20</i>
<i>% Developer equity</i>	<i>9.20%</i>	<i>0.00%</i>	<i>0.00%</i>

Table 3.2 – Project Comparison

Project Description:	40 East Hastings	27 West Pender	Ritz Hotel
<i>Sponsor</i>	<i>Main and Hastings</i>	<i>Vancouver Native</i>	<i>Private developer</i>
<i>Client group</i>	<i>Low-income singles</i>	<i>Low-income singles</i>	<i>Low-income singles</i>
<i>Location</i>	<i>40 East Hastings, Vanc.</i>	<i>27 West Pender, Vanc.</i>	<i>706-714 Fort, Victoria</i>
<i>Site purchase date</i>	<i>Dec. 1999</i>	<i>1995 – City owned</i>	<i>Purchased Aug. 2000</i>
<i>Age of building</i>	<i>New / Aug. 2000</i>	<i>New / Oct. 2000</i>	<i>81 years - Renovated</i>
<i>Lot area</i>	<i>12,203 sq. ft.</i>	<i>14,147 sq. ft.</i>	<i>6,740 sq. ft.</i>
<i>Land tenure</i>	<i>Prepaid lease</i>	<i>Lease / City</i>	<i>Freehold</i>
<i>Number of stories</i>	<i>4 stories, part basem't</i>	<i>7 stories, UG parking</i>	<i>5 stories, basement</i>
<i>Parking spaces</i>	<i>3 surface spaces</i>	<i>19 underground spaces</i>	<i>None</i>
<i>Residential area</i>	<i>45,203 sq. ft.</i>	<i>50,074 sq. ft.</i>	<i>N/A</i>
<i>Non-residential area</i>	<i>None</i>	<i>4,177 sq. ft.</i>	<i>3,092 sq. ft.</i>
<i>Total floor area</i>	<i>45,203 sq. ft.</i>	<i>54,251 sq. ft.</i>	<i>N/A</i>
<i>Total number of units</i>	<i>84 residential units</i>	<i>98 residential units</i>	<i>97 residential units</i>
<i>Typical unit floor area</i>	<i>320 sq. ft.</i>	<i>300 sq. ft. (studio)</i>	<i>N/A</i>
<i>Unit breakdown</i>	<i>83 studio</i>	<i>77 studio</i>	<i>3 studio with bath & kit.</i>
	<i>1 studio, handicapped</i>	<i>5 studio, H/C accessible</i>	<i>20 studio, kit. no bath</i>
		<i>10 one-bedroom</i>	<i>54 studio, hot plate, sink</i>
		<i>6 one-bed, H/C access</i>	
Capital Financing:			
<i>Developer equity</i>	<i>None</i>	<i>None</i>	<i>\$1,149,012.00</i>
<i>First mortgage</i>	<i>\$6,121,254.00</i>	<i>\$7,694,988.00</i>	<i>\$1,850,988.00</i>
<i>Second mortgage</i>	<i>None</i>	<i>None</i>	<i>(RRAP) \$57,898.00</i>
<i>Third mortgage</i>	<i>None</i>	<i>None</i>	<i>(RRAP) \$1,068,00.00</i>
<i>Other financing</i>	<i>None</i>	<i>(Lease) \$373,824.00</i>	<i>None</i>
<i>Grants, contributions</i>	<i>None</i>	<i>(Land) \$1,150,000.00</i>	<i>None</i>
<i>Total</i>	<i>\$6,121,254.00</i>	<i>\$9,218,812.00</i>	<i>\$4,125,898.00</i>
Capital costs:			
<i>Land costs</i>	<i>(Lease) \$1,175,000.00</i>	<i>(Lease) \$1,150,000.00</i>	<i>N/A</i>
<i>Hard costs</i>	<i>\$3,914,285.00</i>	<i>\$6,613,603.00</i>	<i>N/A</i>
<i>Soft costs</i>	<i>\$887,874.00</i>	<i>\$1,254,196.00</i>	<i>N/A</i>
<i>Other costs</i>	<i>None</i>		<i>N/A</i>
<i>Net GST</i>	<i>\$144,095.00</i>	<i>\$201,013.00</i>	<i>N/A</i>
<i>Total costs</i>	<i>\$6,121,254.00</i>	<i>\$9,218,812.00</i>	<i>\$4,125,898.00</i>
Calculations;			
<i>Total costs / unit</i>	<i>\$72,872.07</i>	<i>\$94,069.51</i>	<i>\$42,535.03</i>
<i>Land costs / unit</i>	<i>\$13,988.10</i>	<i>\$11,734.69</i>	<i>N/A</i>
<i>Hard costs / unit</i>	<i>\$45,598.63</i>	<i>\$67,485.74</i>	<i>N/A</i>
<i>Soft costs / unit</i>	<i>\$10,569.93</i>	<i>\$12,797.92</i>	<i>N/A</i>
<i>Cost / total sq. ft. (excluding land)</i>	<i>\$135.42</i>	<i>\$148.73</i>	<i>N/A</i>
<i>% Developer equity</i>	<i>0.00%</i>	<i>0.00%</i>	<i>27.85%</i>

Section IV – Final Comments

Mike Gidora Place represents a challenging and alternative approach to the development of affordable housing. It could be a significant new direction for the not for the profit sector and offers exciting new partnering options for businesses, governments and supportive community members to collectively meet social and economic needs within our community.

The Victoria Cool Aid Society has struck an Advisory Committee to monitor management of the project and ensure operational and financial sustainability. As referenced in this report rents at start-up averaged 87% of estimated market. Post analysis of the project and further assessment of financial sustainability coupled with increased operating costs have resulted in a review of these rents.

It has been determined that even though the project may not have been completely sustainable with its original rental structure, Cool Aid has proven beyond any doubt that its market-orientated approach to housing can be viable over the long term. Post analysis of the project has determined that all that is needed to ensure the project's ongoing financial viability is a rationalisation of the rents being charged for the units that are not covered by the BCHMC Rent Support Agreement.

As of the submission of this report the Victoria Cool Aid Society has reviewed its rental structure and adjusted rents closer to market although still significantly lower than comparable accommodation. The tenant community continues to feel privileged to have found quality, safe and affordable housing.

In conclusion, the provision of housing outside of traditional government funding is viable and meets a market need for affordable living. Mike Gidora Place is an example that recognizes that private/public/non-profit partnerships can contribute positively to meeting both pressing social and economic issues within our community.

Further information on the Victoria Cool Aid Society and this project can be obtain from their website www.coolaid.org.