



RESORT MUNICIPALITY OF WHISTLER

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STAFF REPORT TO COUNCIL

PRESENTED: July 23, 2024 **REPORT:** 24-081
FROM: Finance **FILE:** 1660-20-2024
SUBJECT: WHISTLER HOUSING AUTHORITY LTD. EQUITY SUPPORT REQUEST FOR
CHEAKAMUS CROSSING PHASE 2, LOT 5 PURCHASE

RECOMMENDATION FROM THE CHIEF FINANCIAL OFFICER

That the recommendation from the General Manager of Climate Action, Planning and Development Services be endorsed.

RECOMMENDATION(S)

That Council approve the allocation of \$3.2 million, from the Employee Housing Reserve Fund and contributions from Tourism Whistler to the Whistler Housing Authority Ltd. for the purchase of Cheakamus Crossing Phase 2, Lot 5, located at 1475 Mount Fee Road; and

That Council direct staff to prepare an amendment to the “Five-Year Financial Plan 2024-2028 Bylaw No. 2424, 2024” to capture this change.

PURPOSE OF REPORT

The purpose of this report is to seek Council’s approval for an allocation of \$3.2 million from the Employee Housing Reserve (EHR) fund to the Whistler Housing Authority Ltd. (WHA).

This funding has been requested by the WHA and will be used by them (see Appendix A), in addition to \$2.0 million of their own equity and a \$12.7 million contribution from BC Housing (BCH) to support the purchase of Cheakamus Crossing Phase 2, Lot 5 (Lot 5) which is currently under development by Whistler 2020 Development Corp (WDC) for planned completion in 2026. This funding is required to ensure that units in the buildings constructed on this site can be made available to members of the community at affordable rates as per *Council Policy K-01: Employee Rental Housing Policy (K-01)*.

K-01 outlines the Resort Municipality of Whistler’s (RMOW) approach to affordability and access to municipally-owned affordable housing inventory. The application of K-01 in this case means that a significant equity contribution to the building is required.

Information Report

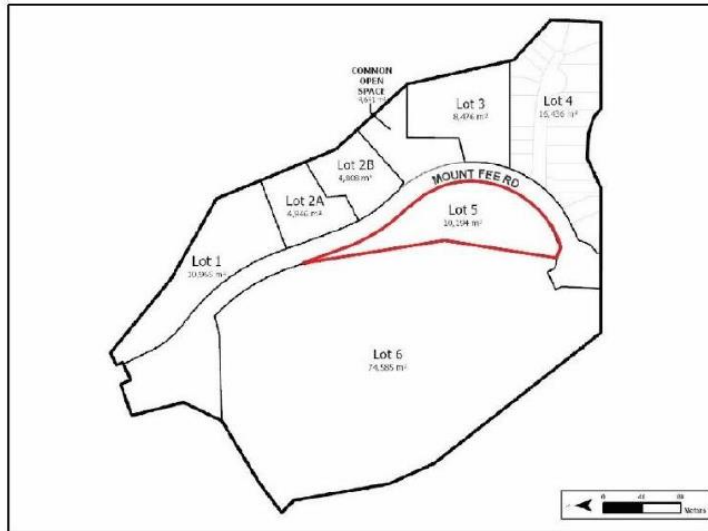
Administrative Report

DISCUSSION

Project Background

Within the Cheakamus Crossing Phase 2 development, Lot 5 is a 10,194 square metre parcel located on the south side of Mount Fee Road, across from Lot 2 and Lot 3 (see Figure 1 below).

Figure 1: Location of Lot 5



The WHA has been in discussions with the WDC and the RMOV regarding the purchase of Lot 5. The current proposal for Lot 5 is two four-storey apartment buildings, for a total of 104 units of employee housing: 24 studio units, 40 one-bedroom units, 32 two-bedroom units, and eight three-bedroom units. The proposed buildings reflect a similar architectural style and scale as the two existing buildings on Lot 1 and those on Lot 2A & B. Both Lot 5 buildings are proposed to be entirely for rental.

Analysis

What are the economics of this project?

WHA's mandate is to provide rental units at affordable rates as defined in K-01. A copy of this policy is attached as Appendix B. K-01 governs the rents that WHA can charge to tenants of their properties. In the case of Lot 5 a "Rent Geared to Income" (RGI) model is proposed. This means that the gross rental revenue that can be expected from this building will necessarily resemble the level of wages that prevail across the WHA waitlist. While monthly rent is constrained by K-01 and therefore what tenants can pay, construction costs for such a building face no such constraints. Construction costs are instead reflective of local economics. For this type of project, rents are affordable but construction costs reflect market realities. Because of this difference, a significant gap results between what the building costs to build and the size of the mortgage that the net rental income can support when it is complete and fully rented. This gap must be funded with equity. Equity is non-repayable, meaning that it is contributed to the project without any expectation of repayment. There are a few different sources of equity generally available to RMOV projects. The types and the amounts proposed to be sourced from each for the purpose of this project are described below.

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How much equity is required to build Lot 5?

The dollar amount of equity required is unique to each affordable housing project. Attached as Appendix C is a diagram showing the factors that influence equity requirements in an affordable housing project.

In the case of Lot 5, the cost of construction of the building is approximately \$45.2 million and the net rental income is anticipated to be able to support a mortgage of \$27.3 million. That leaves a \$17.9 million amount of equity required to make the project work economically. Four different equity sources have been identified and are outlined in the table below with a short description of each source.

Equity Requirement (\$Mm)		Equity Contributors (\$Mm)	
Construction Cost	45.2	BCH Contribution	12.7
Mortgagable Value	27.3	WHA Equity	2.0
Equity Requirement	<u>17.9</u>	RMOW Employee Housing Reserve	3.1
		TW Contribution to EH Reserve	<u>0.1</u>
		Equity Contribution	<u>17.9</u>

BCH Equity Contribution

In 2023, the RMOW and WHA together began consultation and discussion with BCH regarding future potential funding mechanisms. WHA has a longstanding and positive relationship with BCH. At that time, they noted that there would be a new funding program available called “Homes for People” that would likely be a good fit for the kind of project the RMOW WDC, and WHA partnered to deliver. Following those initial discussions, and subsequent discussions between the RMOW and the Province, staff at BC Builds reached out for additional information on “shovel ready” projects for 2024. Staff identified Lot 5 and submitted a substantive amount of documentation on the project. BCH was very receptive to the work of our team and the status of the project, as well as our commitment to fund any equity gaps that remained after grant funding, and subsequently chose Lot 5 as a recipient of the \$12.7 million in forgivable loan (equity) to the project. With this \$12.7 million, the equity gap to deliver over 100 units of affordable rental housing to the WHA waitlist, is only \$5.2 million.

WHA Equity Contribution

In the course of WHA’s operations, and particularly as it repays debt on older buildings and mortgage payments fall, WHA generates its own equity. This equity in turn can be contributed to new projects for its portfolio. In this case, WHA propose to contribute \$2.0 million of its available equity to the project at Lot 5.

Employee Housing Reserve Contribution

The RMOW maintains the EHR, which is a municipal reserve account with the purpose to support the construction of affordable housing delivered by its subsidiary corporations. Contributions to the EHR come from works and services charges and the Municipal Regional District Tax (MRDT). The balance in the EHR at the end of 2023 was \$3.1 million, which was mostly contributed from MRDT revenues. Employee Housing was only recently added as a permissible use of MRDT funds. MRDT funds, if available, can be used to directly support new employee housing in the community and Lot 5 would be the first example of MRDT being used this way.

The full \$3.1 million available in this account at year end 2023 is proposed to be contributed to the Lot 5 project.

Tourism Whistler Contribution

The final source of equity for Lot 5 comes from Tourism Whistler (TW). Like the RMOW, TW receives MRDT revenue from the Province. TW are also permitted to apply this revenue to affordable housing at their option. In 2023, TW contributed \$300,000 of their share of MRDT Online Accommodation Provider (OAP) to the EHR. This amount is included in the \$3.1 million balance above. For 2024, they have committed to contributing another \$500,000 (Appendix D). \$100,000 of this contribution is proposed to be the final amount of equity required to achieve the \$3.2M to fully fund the equity gap for Lot 5.

The proposed contributions from the EHR will leave that reserve nearly empty once the transaction is complete. While MRDT OAP funds will continue to flow into the reserve, amounts that become available from core MRDT will depend on tourist activity in the community, which has recently slowed. Because of this, the RMOW's ability to continue to fund affordable housing projects beyond Lot 5 will likely need to rely on sources beyond those identified above. These additional sources include the Cheakamus Crossing Affordable Employee Housing Reserve, whose balance at year-end 2023 was \$0 but which is expected to benefit from at least one contribution from WDC in 2024.

Continuing to identify and develop new sources of funding for equity support on affordable housing remains a priority for the RMOW. In addition, the RMOW and its housing partners WHA and WDC will continue to be relentless in pursuing third-party grant support for these types of projects. The support of organizations like BCH, the Canada Mortgage and Housing Corporation, and other granting bodies is essential to the success of the community's affordable housing goals.

POLICY CONSIDERATIONS

Relevant Council Authority/Previous Decisions

December 19, 2023 – [Administrative Report No. 23-129: Whistler 2020 Development Corp Cheakamus Crossing Phase 2 Lot 5 Project Plan](#) (Appendix A: WDC [Lot 5 Project Plan](#))

June 25, 2024 – [Administrative Report No. 24-072: RZ001186 – Zoning Amendment Bylaw \(Cheakamus Crossing Phase 2 RM-CD2 Zone\) No. 2448, 2024](#)

2023-2026 Strategic Plan

The 2023-2026 Strategic Plan outlines the high-level direction of the RMOW to help shape community progress during this term of Council. The Strategic Plan contains four priority areas with various associated initiatives that support them. This section identifies how this report links to the Strategic Plan.

Strategic Priorities

Housing

Expedite the delivery of and longer-term planning for employee housing

Climate Action

Mobilize municipal resources toward the implementation of the Big Moves Climate Action Plan

Community Engagement

Strive to connect locals to each other and to the RMOW

Smart Tourism

Preserve and protect Whistler's unique culture, natural assets and infrastructure

Not Applicable

Aligns with core municipal work that falls outside the strategic priorities but improves, maintains, updates and/or protects existing and essential community infrastructure or programs

Community Vision and Official Community Plan

The Official Community Plan (OCP) is the RMOW's most important guiding document that sets the community vision and long-term community direction. This section identifies how this report applies to the OCP.

Key relevant policies from the OCP are contained in the Residential Accommodation section of Chapter 5: Land Use and Development. Under the Our Shared Future heading for Residential Accommodation, the OCP describes the desired future where “Whistler’s employees enjoy a secure supply of affordable and livable employee housing that includes a range of housing types, prices and tenures.”

The OCP recognized a critical need for additional employee housing, supporting development of the Residential Reserve Lands in Cheakamus Crossing. The OCP specified a target to strive for the addition of 1,000 new employee beds by 2023 (Objective 5.1.2). The development of employee housing at 1450 Mount Fee Road addresses this target.

5.1.3.1 Policy: calls for the RMOW to “Maintain an inventory of employee housing in perpetuity, for rental and ownership tenures, to be available for employees.”

BUDGET CONSIDERATIONS

The allocation of \$3.1 million from the EHR to this budget would reduce the balance in the reserve to nearly zero. The allocation of \$100,000 from TW’s 2024 contribution will reduce the amount flowing into the reserve in 2024 by that amount, ultimately making the contribution and the year-end 2024 balance smaller than would otherwise have been the case. Combined, these two allocations make up the \$3.2 million required for the project. The EHR is one of a few different sources from which equity support for affordable housing projects can be drawn, and so providing this support should not significantly impact new projects proposed in the future.

LÍLWAT NATION & SQUAMISH NATION CONSIDERATIONS

The RMOW is committed to working with the Lílwat People, known in their language as *L'il'wat7úl* and the Squamish People, known in their language as the *Skwxwú7mesh Úxwumixw* to: create an enduring relationship; establish collaborative processes for planning on unceded territories, as currently managed by the provincial government; achieve mutual objectives and enable participation in Whistler’s resort economy.

There are no specific considerations to include in this report.

COMMUNITY ENGAGEMENT

Level of community engagement commitment for this project:

Inform Consult Involve Collaborate Empower

JULY 23, 2024

REFERENCES

Appendix A – Letter Requesting RMOW Contribution for WHA Housing

Appendix B – *Council Policy K-01: Employee Rental Housing Policy*

Appendix C – Diagram of factors influencing equity requirement on affordable housing projects

Appendix D – Letter of commitment of Tourism Whistler funds to EHR

SUMMARY

At a meeting held on June 18, 2024, the WHA Board of Directors resolved to request a \$3.2 million equity contribution from the RMOW to support the WHA's acquisition of Lot 5. The WHA requires this funding, in combination with the \$12.7 million grant extended by BCH, and \$2 million of its own equity, to ensure the apartments on this lot can be made available to community members at affordable rates.

SIGN-OFFS

Written by:

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Reviewed by:

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Planning and Development Services

James Hallisey,
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