

# Report

Date December 6, 2023  
Subject Affordable Housing Project at 3191 Sherman Road

File: DP000172

## PURPOSE

To update Council on the affordable housing project located at 3191 Sherman Road and address the site contamination issues so that this project may continue to advance.

## BACKGROUND

3191 Sherman Road was acquired from the Duncan Curling Club in 2011 with the Club continuing to operate the curling facility through a lease agreement. In February 2017, Council rezoned a vacant portion of the property to a new CD15 zone, intending to develop it in partnership with the Community Land Trust (CLT) for an affordable housing project. A development permit was issued in March of 2021 for a 92-unit residential housing project and preliminary subdivision approval has been granted so a parcel for the housing project can be separated from the area leased by the Duncan Curling Club.

Construction of the affordable housing project has not proceeded to date, mainly because of challenges with qualifying for project funding through BC Housing. To help advance the project, members of Council and senior Municipal staff met with the Minister of Housing and senior representatives of BC Housing on February 3, 2022, to request funding concessions. At the June 15, 2022, Council meeting, Council committed to additional Municipal support for the project:

### 11.1 Municipal Contributions to Affordable Housing Projects

IT WAS MOVED AND SECONDED:

THAT Council:

1. Invite the Community Land Trust to submit a 2023 grant-in-aid application for up to \$432,000 for the affordable housing project at 3191 Sherman Road.
2. Invite the Community Land Trust to submit a permissive tax exemption application for 3191 Sherman Road for an amount equivalent to half the annual property tax.
3. Commit \$75,000 from the Affordable Housing Fund to the affordable housing project at 3191 Sherman Road.

(Opposed: Mahhas)

CARRIED

The project has since obtained Provisional Project Approval from BC Housing. The CLT has been actively working on the construction drawings and building permit application, intending to commence construction in early 2024. However, site investigations required for the subdivision and building permit processes recently identified potential site contamination and that has further delayed the project.

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## DISCUSSION

### Potential Site Contamination

In February 2021, the province implemented a screening process for identifying potential site contamination that requires Site Disclosure Statements to be filed before building permits, subdivision approvals, and other types of development approvals are issued by a local government. The process requires property owners to disclose if the property proposed for development has been used in the past for commercial or industrial uses that are considered to have an increased risk for site contamination ("Schedule 2 uses"). The curling rink use at 3191 Sherman Road is considered a Schedule 2 use, triggering a Phase 1 Environmental Site Assessment (ESA). The Phase 1 ESA identified two areas of potential environmental concern (APEC):

APEC 1 Historical leaking of Calcium Chloride (brine) refrigerant from the pipes within the concrete slab under the curling rink.

APEC 2 Potential impacts from brine storage and storage and use of petroleum products for mechanical equipment on the north of the curling club building in the Mechanical Room.

The consulting firm that did the Phase 1 ESA recommended proceeding with a Phase 2 ESA, which involved drilling and installing monitoring wells and analyzing soil samples to determine if site contamination had occurred. The Phase 2 ESA groundwater sampling indicated that all analyzed parameters were less than BC Contaminated Site Regulation standards, with one exception. Dissolved arsenic contamination from an unknown source was identified in one of the test wells. This has triggered a requirement for a detailed site investigation (DSI) to better establish the nature and extent of the area of environmental concern. Although BC Housing's preliminary project funding doesn't cover this next site investigation phase, CLT has authorized the work because the project cannot proceed until the issue is resolved.

### Next Steps

Drilling for the DSI is scheduled to begin in early December, and results are expected to be available three to four weeks after that. Once the results are available, it should be possible to determine the implications for the project.

Staff from CLT and the Municipality met with a senior representative of BC Housing on October 24 to discuss the site contamination issue and implications for project funding. Indications were that because the project had received provisional project funding, BC Housing would continue to support the project and assist with resolving the issue. Results from the DSI are necessary to determine what additional support from BC Housing may be required. In addition, as the project has been delayed, BC Housing will likely require updated cost information before construction funding is released.

## Conclusion:

CLT has funded the Phase 1 & 2 site investigations and the DSI to date as a way to advance the project. It is hoped that BC Housing will eventually cover those costs, but that won't be confirmed until the DSI is completed. As the property owner, any site contamination issues are ultimately North Cowichan's responsibility. As such, assisting with funding the site investigation and remediation works seems appropriate. CLT staff have indicated that obtaining the \$75,000 that Council previously committed to the project at this stage would help it to continue advancing the project. Staff support this approach because the project will be stalled until the site contamination issue is resolved, and it will eventually need to be resolved for any future development on that site.

Suppose the findings of the DSI are that the site contamination issues can be managed through the redevelopment of the site. In that case, the costs will likely be incorporated into the project and funded by BC Housing. However, it is also possible that more significant contamination has occurred that will require a more extensive site remediation process. Under this scenario, Council, CLT, and BC Housing will need to assess the cost of site remediation and options for funding it. In any case, once the DSI is completed, staff will report on the findings to Council and seek any direction that may be required.

Lastly, there may be other funding sources for assisting with this issue, including the Cowichan Valley Regional District's affordable housing function or revenue from the Municipal Regional District Tax, should a portion of that be reallocated to affordable housing projects. Staff will explore those options and report back.

## OPTIONS

1. **(Recommended Option)** THAT Council authorize the release of the \$75,000 committed on June 15, 2022, from the Affordable Housing Reserve Fund to the affordable housing project at 3191 Sherman Road to pay for site investigation and remediation works.
  - This option would not increase the financial contribution Council has provided to the project but would commit the funding before the project has commenced and incur a risk that the funding does not result in affordable housing if the project does not proceed.
2. THAT Council maintain its commitment of \$75,000 from the Affordable Housing Reserve Fund towards the affordable housing project at 3191 Sherman Road, payable upon issuance of an occupancy permit.
  - This option would ensure the financial contribution is paid after the affordable housing is completed but may delay the project if CLT or BC Housing does not fund the site investigation and remediation works.

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**RECOMMENDATION**

THAT Council authorize the release of the \$75,000 previously committed on June 15, 2022, from the Affordable Housing Reserve Fund to the affordable housing project at 3191 Sherman Road to pay for site investigation and remediation works.

Report prepared by:



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Report reviewed by:



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**Approved to be forwarded to Council:**



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Ted Swabey  
Chief Administrative Officer

Attachments:

- (1) Site Plan
- (2) June 28, 2022, letter from Acting Mayor Toporowski