

ADMINISTRATIVE REPORT

Report Date: July 5, 2011
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Meeting Date: July 26, 2011

TO: Vancouver City Council

FROM: Managing Director of Social Development and Director of Real Estate Services

SUBJECT: Lease Terms and Other Arrangements for Social and Supportive Housing at 1134 Burrard Street (one of 14 sites)

RECOMMENDATION

- A. THAT subject to the satisfactory conclusion of rezoning conditions and the enactment of the CD-1 By-law for this site, Council authorize the Director of Real Estate Services to negotiate and execute a lease, (the "Lease") for City-owned property situated at 1134 Burrard Street, and legally described as PID: 007-074-531, Lot G, Block 90 DL 541, Plan 18877, (the "Lands") to The Kettle Friendship Society ("Kettle") to enable the development of a non-market housing project and associated social service centre, (the "Project"), which Lease will provide for:
- i) a term of 60 years;
 - ii) a nominal prepaid rent; and
 - iii) a waiver of rent in-lieu of property taxes for the term of the lease for the Lands, including the construction period, as long as it continues to provide supportive housing and associated social services, and as long as BC Housing continues to provide operating subsidies;
- and otherwise will be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Managing Director of Social Development, the Director of Real Estate Services and the Director of Legal Services, it being noted that no legal rights or obligations shall arise or be created until the Lease agreement is fully executed by both parties.
- B. THAT Council approve a sublease of the social service centre on the 1st and 2nd floors of the non-market housing project, from Kettle to Family Services of Greater Vancouver, for the term of the ground lease less one day at nominal

rent, for the purpose of providing social services to youth, in accordance with the terms described in this report.

The lease at nominal rent and a waiver of rent in-lieu of property taxes for this City-owned property constitute a grant and must be approved by the affirmative vote of not less than 8 members of Council.

GENERAL MANAGER'S COMMENTS

The General Managers of Business Planning and Services and Community Services recommend APPROVAL of the foregoing recommendations.

COUNCIL POLICY

It is Council policy to purchase privately-owned property for non-market housing projects and lease them to non-profit societies or co-operative associations for 60 years. A 60 year lease is valued at 75% of freehold market value.

Council's priorities for social housing are to maintain and expand housing opportunities in Vancouver for low and modest income households with priority being given to families with children, seniors on fixed incomes or in need of support, SRO residents, and the mentally ill, physically disabled and others at risk of homelessness.

In March 2007 Council approved in principle, making 12 or more City sites available at no cost for the development of 1500 or more supportive housing units for low income singles, including those with mental health and addiction issues, by leasing the City-sites to non-profit sponsors of supportive housing for the development and operation of supportive housing for 60-year terms and nominal prepaid rents.

Council approved the Supportive Housing Strategy in June 2007.

Council approved a Memorandum of Understanding ("MOU") between the City and BC Housing on December 19, 2007, regarding the City/Province Social and Supportive Housing Partnership. Twelve (12) sites are included in this partnership, including the Lands at 1134 Burrard Street. Two (2) additional sites have also been included in the City/Province homelessness initiative, (see Appendix A).

The Directors of Finance and Real Estate Services can approve leases and lease renewals if:

- The total value is less than \$250,000
- The term is not longer than ten years (including renewal options)

The proposed lease term is longer than 10 years and has a value greater than \$250,000 so it cannot be approved by the Directors of Finance and Real Estate Services and is therefore submitted to Council for approval.

A lease at nominal rent and waiver of rent in-lieu of property taxes for the Lands constitutes a grant, requiring the approval of 8 members of Council.

PURPOSE AND SUMMARY

The purpose of this report is to obtain authorities required for the ground lease of the Lands to Kettle for the development and operation of Supportive Housing and an associated sublease to Family Services of Greater Vancouver for a social service centre.

BACKGROUND

Acquisition: Council approved acquisition of the Lands for social housing in February 2004. The source of funds for the acquisition and remediation costs of the Lands was the Property Endowment Fund. The current assessed value of the Lands is \$6.27 million.

The MOU between the City and BC Housing proposed that the Lands be designed for 100+/- studio units with a youth services centre on the first and possibly second floor of up to a total of 12,000 sq. ft. A third to a half of the 100 units would be occupied by youth referred and supported by the youth services, if a youth services centre is included in the Project. The City's priority is for all units will be tenanted by core-need singles with a priority for those who are homeless or living in the shelters and SRO's in Downtown South.

On March 23, 2010 following a Public Hearing, Council approved, subject to conditions which the applicant is now working to satisfy, the rezoning of the Lands to accommodate 141 dwelling units of supportive housing and a social service centre.

The sponsor societies selected by BC Housing, who is funding the construction on the Lands, are The Kettle Friendship Society and Family Services of Greater Vancouver. Kettle is a non-profit charitable organization established in 1976 which provides housing and support services to low income individuals who have few, if any, housing options. Kettle currently owns and operates over 200 units of housing. Many of their tenants have physical health, mental health and/or addiction issues. Kettle will oversee the development of the project and be responsible for its day-to-day management. Family Services of Greater Vancouver is a non-profit organization, which has been providing services to youth at risk for 80 years including 22 years in the Downtown South neighbourhood of Vancouver. The housing program will be divided into two components. Thirty units will be allocated for youth, and managed by Kettle, with support from Family Services of Greater Vancouver. The remaining 111 units will be managed by Kettle. Family Services of Greater Vancouver, the social service provider, will enter into a sublease with Kettle, for the social service centre, for the same term, less a day.

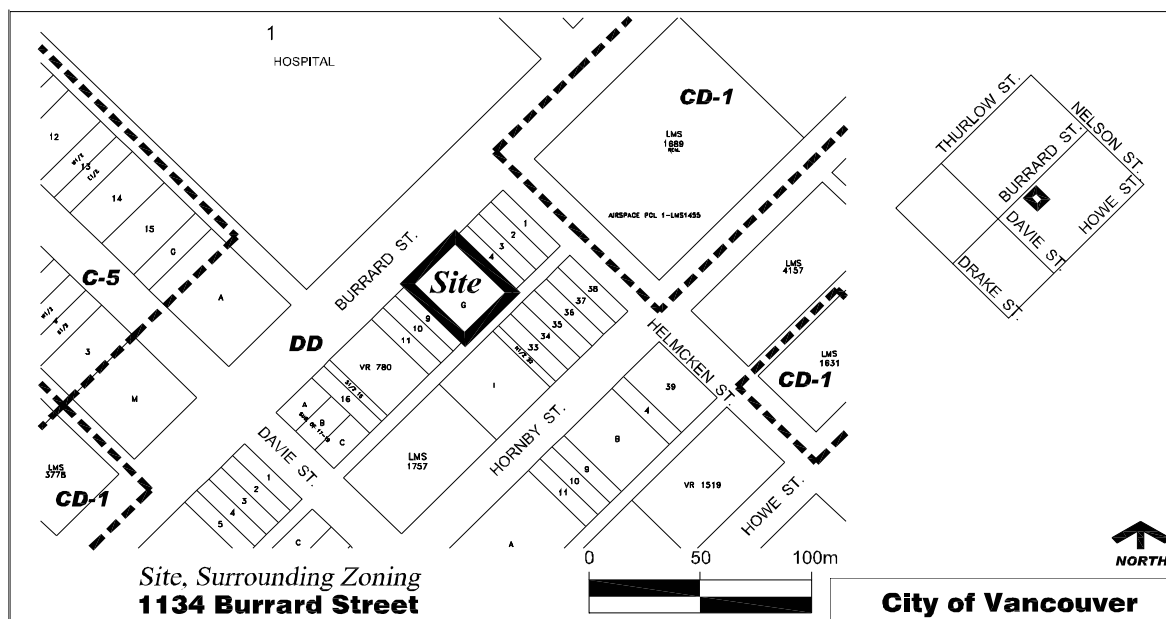
Project Description: The development proposal consists of the following components:

- 141 dwelling units with a total floor area of 9,481.1 m² (102,053 ft.²), including 7,875 ft.² of amenity space;
- 1,258 m² (13,540 ft.²) of social service space is proposed for the replacement of the existing social service centre located on the Lands.
- A building height of 16 storeys, at 53.6 m (176 ft);
- One level of underground parking for 20 cars;
- 2 loading spaces; and
- Storage for 106 bicycles.

The estimated value of the Project is \$43,774,000, which is comprised of a \$6,272,000 land component, \$710,000 City Development Cost Levy and Regional Development Cost Charge (both eligible to be waived) and BC Housing's estimated net capital cost of the project \$36,792,000. Project completion is anticipated in July, 2013.

Figure 1: Site and Surrounding Zoning

1134 Burrard Street City of Vancouver



DISCUSSION

Ground Lease to Kettle Friendship Society: The Lands will be leased to Kettle in accordance with the standard terms and conditions agreed to between the City and BC Housing for the partnership related to supportive housing, signed in 2007:

1. Term of 60 years;
2. Rent will be prepaid nominal rent;
3. Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager;
4. Kettle will not pay property taxes (in the form of rent in-lieu of taxes) for the Lands, in accordance with the MOU approved by Council on December 19, 2007; and
5. Such further and other terms as are acceptable to the Managing Director of Social Development, the Directors of Real Estate Services and Legal Services, it being noted that no legal rights or obligations shall arise or be created until the Lease agreement is fully executed by both parties.

The MOU notes that the City as owner of the supportive housing sites will, as a term of the Lease, "exempt each Project from property taxes (in the form of rent in-lieu of taxes) for the term of the Lease as long as the Project continues to provide supportive housing for the homeless and those at risk of homelessness and as long as BC Housing continues to provide operating subsidies to the Project."

The MOU also notes that the social service centre will enter into a sub-lease with the Sponsor for the social service centre for the term of the lease. The social service centre will be exempt from paying property taxes as long as the component of the Project they occupy

continues to provide social services funded in whole or in part by the Province or provincial agencies.

Construction on the Lands is expected to start in November 2011 and be complete by July 2013. Once operational, it is BC Housing's expectation that the entire Project, including the social service centre, will be designated by the Province as Class 3 - Supportive Housing which will be subject to special valuation rules that reduce the assessed value of the property to a nominal amount and therefore effectively exempt the site from property taxes.

FINANCIAL IMPLICATIONS

Nominal Rent - The foregone rent on the 60 year lease to Kettle Friendship Society at a nominal rate is valued at \$4.7 million, which represents 75% of the assessed value of the site. This represents a grant and does not involve further City funding.

Rent in-lieu of Taxes - Based on the 2011 assessed land value \$6.27 million (land only) and BC Housing's estimated net capital cost of the property (\$36.8 million):

- during construction and until the property receives its Class 3 - Supportive Housing designation, the amount of forgone rent-in-lieu of taxes for the entire property is estimated at \$113,600 per year (2011 dollars) (during construction) to \$180,000 per year (post completion but prior to Class 3 designation)(2011 dollars).
- once the property is designated as Class 3 - Supportive Housing, the amount of forgone municipal general purpose tax levy for the entire property is estimated at \$91,700 per year (2011 dollars).

CONCLUSION

The Project at 1134 Burrard Street is a partnership between BC Housing, the City of Vancouver, Kettle, and Family Services of Greater Vancouver. It is part of the City/Province Supportive Housing Partnership to provide housing for homeless individuals or those at-risk of homelessness including those with mental illnesses and/or drug addictions. The lease terms and waiver of rent in-lieu of taxes are consistent with the partnership objectives laid out in the Memorandum of Understanding between BC Housing and the City of Vancouver.

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City of Vancouver and BC Housing New Supportive/Social Housing Projects

14 Sites Status Report (as of June 28, 2010)

Completed Projects:

	Address	Service Provider	# Units	Construction Start	Occupancy Date
1	1005 Station	PHS	80	Construction started November 2009	Occupied January 2011
2	1338 Seymour	More Than a Roof	106	Construction started November 2009	Occupied June 2011
3	337 West Pender	Coast	96	Construction started December 2009	Occupied May 2011
4	525 Abbott	Atira	108	Construction started December 2009	Occupied May 2011

Total Number of Units: Buildings 1-4: 390

Projects under Development:

	Address	Service Provider	# Units	Construction Start	Estimated Occupancy Date
5	188 East 1st	Lookout Emergency Aid Society	129	Construction started December 09	4 th Quarter 2011
6	3595 West 17th	Coast	51	Construction started May 2010	4 th Quarter 2011
7	1227 Howe	McLaren House	110	Construction starts July 2011	3 rd Quarter 2012
8	1601 West 7th St at Fir	Katherine Sanford/MPA	62	Construction started December 2010	2 nd Quarter 2012
9	215 West 2nd	RainCity/Katherine Sanford	147	Construction start June 2011	3 rd Quarter 2012
10	1050 Expo Blvd	127/St James Society	89	2 nd Quarter 2012	3 rd Quarter 2013
11	111 Princess	Portland Hotel Society	139	4 th Quarter 2011	2 nd Quarter 2013
12	1134 Burrard	Kettle Friendship Society	141	3 rd Quarter 2011	3 rd Quarter 2013
13	675-691 East Broadway	Vancouver Native Housing Society	103	1 st Quarter 2012	3 rd Quarter 2013
14	606 Powell	RainCity	146	1 st Quarter 2012	3 rd Quarter 2013

Total Number of Units Buildings 5-14: 1117
Complete Total (buildings 1-14): 1,508