



ADMINISTRATIVE REPORT

Report Date: February 7, 2012
Contact: Jim De Hoop
Contact No.: 604.873.7207
RTS No.: 09511
VanRIMS No.: 08-2000-20
Meeting Date: February 28, 2012

TO: Vancouver City Council

FROM: Managing Director of Social Development, in consultation with the Director of Real Estate Services

SUBJECT: Lease of Five New Affordable Rental Housing Units at 728 West 8th Avenue to Heritage Housing Co-operative

RECOMMENDATION

- A. THAT Council approve the purchase of:
- i. Suite 312, 728 West 8th Avenue, Vancouver, legally known and described as PID: 028-761-260 Strata Lot 22 District Lot 526 Group 1 New Westminster District Strata Plan BCS4340,
 - ii. Suite 313, 728 West 8th Avenue, Vancouver, legally known and described as PID: 028-761-278 Strata Lot 23 District Lot 526 Group 1 New Westminster District, Strata Plan BCS4340,
 - iii. Suite 314, 728 West 8th Avenue, Vancouver, legally known and described as PID: 028-761-286 Strata Lot 24 District Lot 526 Group 1 New Westminster District Strata Plan BCS4340,
 - iv. Suite 315, 728 West 8th Avenue, Vancouver, legally known and described as PID: 028-761-294 Strata Lot 25 District Lot 526 Group 1 New Westminster District Strata Plan BCS4340, and
 - v. Suite 316, 728 West 8th Avenue, Vancouver, legally known and described as PID: 028-761-308 Strata Lot 26 District Lot 526 Group 1 New Westminster District Strata Plan BCS4340

(Strata Lots 22, 23, 24, 25 and 26 collectively, the "Strata Lots", and Strata Plan BCS4340, the "Strata Corporation"),

and approve the lease of three parking spaces within the Strata Corporation (the "Parking Spaces"), in each case by the City from Beaconsfield Holdings Ltd. (the "Developer"), on the terms and conditions and for the consideration more particularly set forth below in this report;

FURTHER THAT Council authorize the Director of Real Estate Services and the Director of Legal Services to negotiate and execute all documents which they consider appropriate in connection with such purchase and lease, which purchase and lease completes a prior-to condition approved by Council following Public Hearing in respect of the rezoning of the lands located at 711 West Broadway and 700 West 8th Avenue, then legally known and described as PID: 025-491-806, Lot 1, Block 338, DL 526, Group 1, Plan BCP 1280.

- B. THAT the \$1,000,000 community amenity contribution offered by the Developer at the time of the approval in principle by Council of the said rezoning be allocated as the purchase price for Strata Lots 22, 23, 24 and 25, comprised of \$250,000 for each such Strata Lot, and \$200,000 be approved as the purchase price payable for Strata Lot 26, with the source of funds to be the Affordable Housing Fund.
- C. THAT Council approve the subsequent lease of the Strata Lots and the Parking Spaces thereafter to Heritage Housing Co-operative (the "Co-op") to allow for occupancy and use of the Strata Lots as non-market housing units and use of the Parking Spaces by the Co-op and/or its members, which lease will provide for:
- i. a term of 60 years;
 - ii. a nominal prepaid rent;
 - iii. payment of rent in-lieu of property taxes;
 - iv. payment by the Co-op of all fees payable, and assumption of all other obligations to be performed, by the City as registered owner of the Strata Lots;
 - v. provision by the Co-op of such insurance as the Director of Legal Services may direct; and
 - vi. otherwise to be in accordance with the terms and conditions outlined in this report and be to the satisfaction of the Managing Director of Social Development, the Director of Real Estate Services and the Director of Legal Services;

FURTHER THAT Council authorize the Director of Real Estate Services to negotiate and execute such lease.

- D. THAT Council approve in principle a Housing Agreement securing the Strata Lots as rental for the life of the building or 60 years, whichever is longer, to the satisfaction of the Director of Legal Services and Managing Director of Social Development;

FURTHER THAT the Director of Legal Services be instructed to bring forward a by-law to authorize such Housing Agreement, and after by-law enactment, to execute and register the Housing Agreement.

GENERAL MANAGER'S COMMENTS

The addition of these five not-for-profit rental units is not only a valuable addition to the affordable housing stock in the Fairview Slopes neighbourhood but also provides the an opportunity to increase the number of families living in the Heritage Housing Co-operative. The General Manager of Community Services recommends approval of A, B, C and D above.

COUNCIL POLICY

At a Public Hearing completed on July 22, 2008, City Council approved in principle the CD-1 rezoning of property at 711 West Broadway, site of the existing Holiday Inn hotel. As a part of the rezoning, and the subsequent subdivision of that site into two separate legal parcels with a new residential tower to be constructed on the northern parcel, the Developer offered to transfer to the City between four to six affordable housing units in the new residential tower. This represented an in-kind community amenity contribution ("CAC") of \$1,000,000. The rezoning condition indicated that the City would contribute up to \$300,000 if needed to increase the number of units, with the source of funding to be identified at a later date.

The City leases land and finished buildings for non-market housing on 40 or 60 year terms and currently considers prepaid rent of 50% of freehold value to be the market value of a 40 year lease, and 75% of freehold value to be the market value of a 60 year lease.

The recommendation for "nominal rent" is considered to be a grant, and requires 8 affirmative votes of Council.

PURPOSE AND SUMMARY

Negotiations have been ongoing between City staff and the Developer since the approval in principle of the rezoning of this site. It was agreed that for an additional \$200,000, the number of units to be transferred to the City would be increased by one from four to five. The project itself is now nearing completion, with occupancy of the five Strata Lots possible as early as March 2012. The \$1,000,000 in-kind CAC will be allocated as to \$250,000 as the cost to the City of each of Strata Lots 22, 23, 24 and 25, and the \$200,000 cash purchase price now being presented to Council for approval will be allocated as the purchase price of Strata Lot 26.

This report brings forward for Council's approval the purchase of the Strata Lots and the lease of the Parking Spaces from the Developer, and the lease of the same promptly thereafter to the Co-op.

The addition of these five Strata Lots will provide the Co-op with greater flexibility in coping with an inherent difficulty of over-housing, a situation created when a household reduces in size and the number of bedrooms exceeds the people living in the unit.

BACKGROUND

The Co-op now consists of 36 total units, with 1- (5), 2- (9) and 3-bedroom (22) units. Completion of construction and occupancy of the Co-op's building occurred in 1986 under the Federal Government's co-operative housing program. See Figure 1 on the following page for an air photo of the Holiday Inn, the development site and the existing Co-op building on the

north side of West 8th Avenue. The Co-op building is located on lands leased from the City for a term of 40 years in 1986.

Presently, economic rents at the Co-op range from \$812 (for a one-bedroom) to \$1276 (three bedrooms). Subsidies are provided for 18 units, representing 50% of the units, ranging on a monthly basis from \$266 to \$852. The remaining 18 units pay low-end of market rents in accordance with the standards established by CMHC requirements. The operating agreement with CMHC ends in 2021, at the end of the 35 year term from the original occupancy of the Co-op building.

The City's right to purchase these five new Strata Lots came about as a result of the rezoning of the Holiday Inn site at 711 West Broadway, as part of the public benefit package. As the number of units is relatively small and the Co-op is across the street, it was seen as practical that these units be managed by the Co-op.



Figure 1 - Air Photo of Holiday Inn and Heritage Housing Co-op Sites

DISCUSSION

In addition to those listed in recommendation C above, the lease arrangements for the lease by the City to the Co-op of the Strata Lots, and by the Co-op to a member of a Strata Lot, are as follows:

- Maximum housing charge based on 85% of average rents for bachelor and one-bedroom suites pursuant to the Canada Mortgage and Housing Corporation ("CMHC") Fall 2011 Average Market Rent, escalated annually by the City CPI rate or 2%, whichever is the lesser;
- Any surpluses that accumulate will be held by the Co-op in a reserve to fund Strata Corporation special assessments and required improvements to the Strata Lots. Provided that this reserve is adequately funded, any additional surpluses may also be used for additional internal rent subsidies or for investment in other affordable housing, subject to the prior agreement of the Co-op and the City;
- The Co-op will be responsible for any and all costs associated with the Strata Lots, including Strata Corporation special assessments. Should any special assessment exceed the ability of the Co-op to pay, the City may allow rent constraints to be amended to ensure the Co-op continues to be financially viable, to occur in consultation with City staff; and
- At the end of the CMHC operating agreement in 2021, the five Strata Lots will be amalgamated into the Co-op rental supply, and treated as an entity of 41 units for the purposes of subsidies.

The Co-op has made a request to the City for an extension of its ground lease of 717 West 8th Avenue, the City-owned site on which its buildings are located. This request will be brought forward for Council's consideration later in the spring.

Staff also recommend that a Housing Agreement be put into place for the Strata Lots following transfer of title to the City, to better preserve the use of those units as rental only. Notice of the Housing Agreement would be filed on title to the Strata Lots, for the life of the building or 60 years, whichever is longer. This action is contained in recommendation D.

FINANCIAL IMPLICATIONS

Sufficient funding is available in the Affordable Housing Fund for the purchase of Strata Lot 26 at a cost of \$200,000.

The lease of the five Strata Lots and three Parking Spaces would normally have a rental value to the City, over the 60 year term of the lease, of an estimated \$1.02 million. However, in recognition that the units will contribute to the City's stock of affordable housing and that the units were received as part of the rezoning CAC, it is recommended that the City forego such rent. Rent in-lieu to taxes will be paid by the Co-op.

There are risks involved in the lease of these units in the event that Heritage Housing Co-operative should default. The City would be required to take on strata fees and other common area costs. However, the Co-op has demonstrated good budgeting practices since its inception in 1986, particularly related to building repairs and this is not anticipated to be a problem. In the worst case scenario, the City has allowed for the assignment of a lease to another society.

SOCIAL IMPLICATIONS

The addition of the five Strata Lots (one bachelor suite and four one-bedrooms) will provide the Co-op with greater flexibility in coping with an inherent difficulty of over-housing, a situation created when a household reduces in size and the number of bedrooms exceeds the people living in the unit. This happens most often with families as children depart or older couples when a spouse passes away. The new units will allow for downsizing households to be relocated within the Co-op, rather than having to move elsewhere.

CONCLUSION

Staff recommend that Council approve the purchase by the City and subsequent lease to the Co-op, including payment of \$200,000 for Strata Lot 26 at 728 West 8th Avenue, subject to the conditions outlined in the report.

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Letter from Heritage Housing Co-op



HERITAGE HOUSING CO-OP

October 12, 2011

City of Vancouver
Social Development Department
#501 – 111 West Hastings Street
Vancouver, B.C.
V6B 1H4

Attention: Rob Whitlock

Dear Mr. Whitlock;

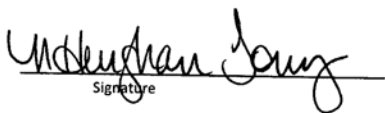
Please consider this as a Letter of Intent indicating Heritage Housing Co-operative's resolve to continue negotiations with the City of Vancouver regarding the leasing of five units at 700 West 8th Avenue and the acquisition of a long term lease extension for the main Co-op buildings, located at 717 West 8th Avenue.

The Co-op's Board of Directors has received the initial proposed terms of agreement, and they are acceptable to the Board.

The Membership of the Co-operative is being kept up to date as information comes, and will be consulted at information meetings and General Membership meetings. When a finalized agreement is reached between the Board of Directors and the City of Vancouver, a General Membership meeting will be held at which the Membership will be asked to offer their final agreement to all terms.

We look forward to a long and mutually beneficial partnership with the City of Vancouver.

Sincerely,


Signature


Printed name


Signature


Printed name
Diane Stewart.