



ADMINISTRATIVE REPORT

Report Date: June 1, 2016
Contact: Karen Hoese
Contact No.: 604.871.6403
RTS No.: 11249
VanRIMS No.: 08-2000-20
Meeting Date: June 15, 2016

TO: Standing Committee on City Finance and Services

FROM: Acting General Manager of Planning and Development Services

SUBJECT: The Chinese Society Legacy Program - Implementation and Funding Strategy Update

RECOMMENDATION

THAT Council approve a grant of \$100,000 to the Chinatown Society Heritage Buildings Association (CSHBA) as seed capital to implement phase 1 of the Chinese Society Legacy Program in consultation with the eleven member Societies owning the twelve heritage Society buildings. Source of funds is the 2016 Capital budget - DTES Chinatown Society Heritage Buildings Grant Program.

REPORT SUMMARY

On December 10, 2015, Council approved the Chinese Society Legacy Program, and directed staff to report back on the overall program implementation and funding strategy including any strategic partnership and funding opportunities.

This is an interim report to provide an update on the implementation plan and the funding strategy. This report also recommends a grant of \$100,000 to the Chinatown Society Heritage Buildings Association (CSHBA) as seed capital to implement phase 1 of the Legacy Program.

Staff will report back in one year to provide an update on the results of the fundraising drive, and may include a revised implementation plan and timeline.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On July 9, 2014, Council approved the Chinese Society Buildings Matching Grant Program, which included an allocation of \$400,000 for a consultant study and a Society capacity building initiative.

On December 10, 2015, Council approved the Chinese Society Legacy Program for the rehabilitation of twelve Society heritage buildings in Chinatown, and committed \$3.6 million from future development contributions in and around the Chinatown area as the City's contribution (10%) toward the \$36 million program.

Approval of grant recommendations requires eight affirmative votes.

GENERAL MANAGER'S COMMENTS

The Acting General Manager of Planning and Development Services recommends APPROVAL of the foregoing recommendation.

REPORT

Background/Context

The Society Legacy Program focuses on rehabilitating the twelve Society heritage buildings in Chinatown. These heritage buildings include important commercial and cultural spaces, as well as 196 units of low-cost housing. The cost of the Program is estimated to be \$36 million, and the City has committed \$3.6 million from future development contributions towards it. The remainder of the funding is to come from the Federal and Provincial governments, Societies' contributions, charities, donations, and other partners.

The program's priority is to stabilize the Society buildings to meet life and safety standards, undertake modest renovations to activate underused spaces, conserve heritage features and retain affordable housing. **The \$36 million cost estimate includes:**

- \$22 million for stabilization,
- \$7 million for seismic upgrades,
- \$6 million to optimize building uses, and
- \$1 million for implementation, capacity building and mentorship.

Implementation Strategy

The report proposes a phased approach to implementation, prioritizing building-by-building, with the goal to have two to three buildings ready for rehabilitation in 2017 as phase 1 of the program. Phase 2 projects could begin rehabilitation in 2018, dependent on fundraising results (see Figure 1).

To implement phase 1, resources are needed for program coordination and advocacy, business planning for the prioritized buildings, and fundraising. Therefore, this report recommends awarding a grant in the amount of \$100,000 to Chinatown Society Buildings Association (CSHBA) to empower them to undertake this work. The grant includes:

- \$50,000 for a program champion to assist CSHBA to coordinate phase 1 implementation with the goal of having two to three Society buildings ready for rehabilitation in 2017.
- \$25,000 for CSHBA to hire a project manager to complete business plans for two to three societies. This funding will be used to attract matching funds from VanCity Community Foundation.
- \$25,000 for a professional fundraiser and/or a community bonds specialist to implement the fundraising plan, including investigation and implementation of community bonds.

Concurrently, City staff will continue to work on building capacity with Societies and approach government partners for funding. Once the program champion has been hired by CSHBA, staff will also work with them to establish a program structure and governance with clear terms of reference to ensure the appropriate checks and balances are in place. More details about program governance and structure are attached as Appendix A.

The CSHBA has indicated their support and commitment to implementing phase 1 as outlined above. A letter of support from the CSHBA is attached as Appendix B.

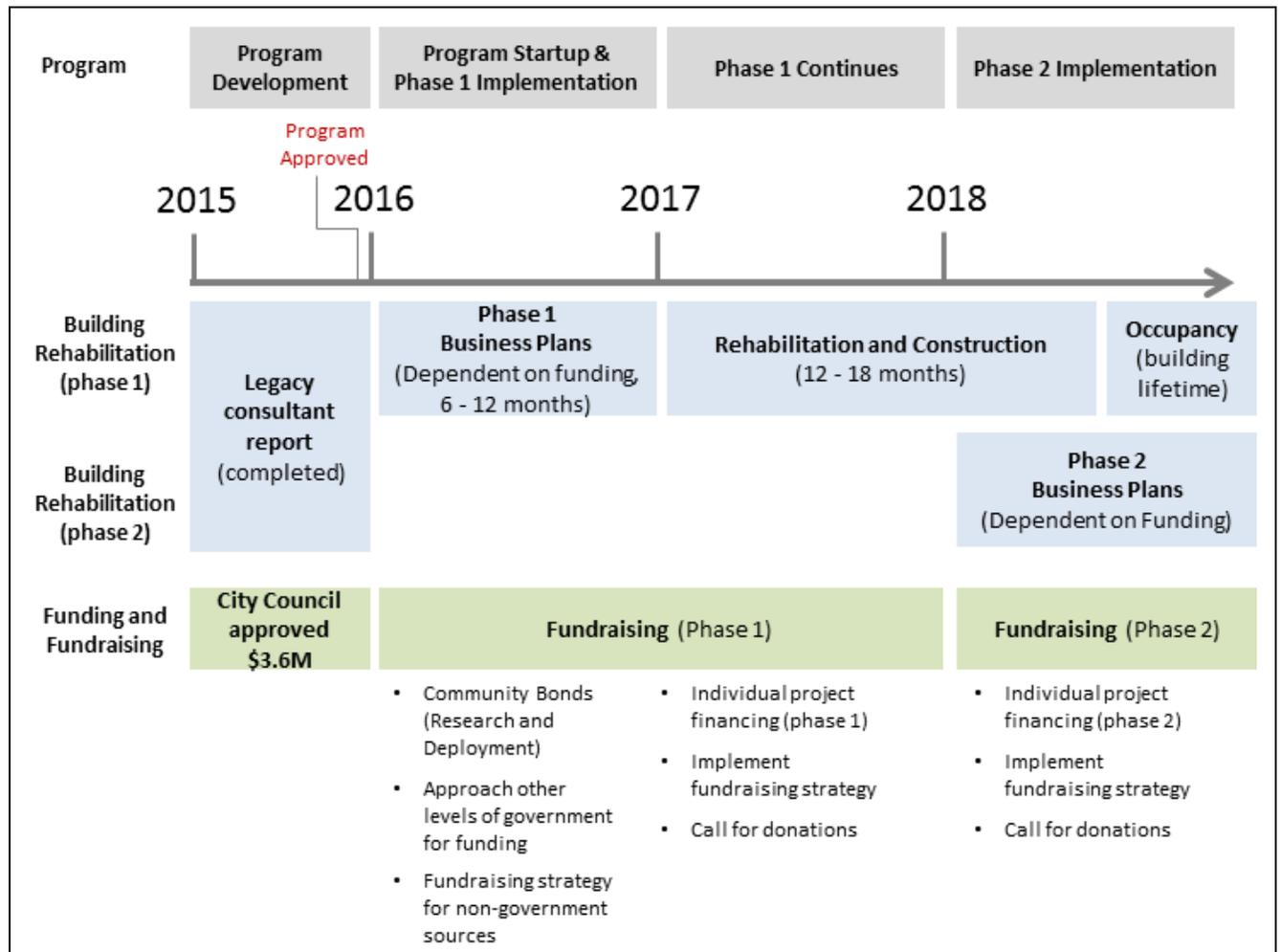


Figure 1 Implementation Timeline

The risk associated with this phased approach is that funding for projects in phase 2 or beyond might not be obtained and the remaining buildings are not renovated. These risks will be mitigated by working with CSHBA and its program champion to set clear selection criteria for phase 1 projects to ensure successful delivery and build momentum to attract funding for future phases.

VanCity Community Foundation (VCF) has expressed their agreement in principle to match the City’s funding for the business plans. To ensure project success, VCF has indicated that the matching funds are contingent on CSHBA hiring the program champion and project manager.

This report recommends a grant to CSHBA to hire these two positions, as well as a fundraiser.

The responsibilities of the program champion will include:

- Assisting the CSHBA member Societies to prioritize rehabilitation projects in the short (phase 1), medium and longer term (phase 2 and after) based on level of commitment, capacity, financial strength and conditions of buildings.
- Assisting the CSHBA to apply for matching funds for business plans from VanCity Community Foundation for Societies interested to commence in phase 1.

- Assisting the CSHBA to interview and hire a project manager to complete business plans for the phase 1 Societies.
- Working with the fundraiser and community bonds specialist to develop Societies' support for and interest in, the deployment of community bonds. This may require coordinating and helping to facilitate an investor engagement workshop to help the consultant better scope out the community bond opportunity specific to this market.

The main responsibility for the project manager will be to complete business plans for two to three society buildings. This project manager should have considerable experience in preparing business plans for non-profit societies and heritage rehabilitation projects. An effective business plan should include:

- Project background,
- Project objectives and purpose,
- Technical overview (including building condition and capital requirements),
- Financial overview (including operating budget, revenues and balances),
- Financial modelling,
- Project scope definition, and
- Management and implementation overview.

Lastly, the professional fundraiser/community bonds specialist will be responsible for scoping out a fundraising strategy focusing on non-government sources and work with the program champion and CSHBA to implement the fundraising strategy.

Funding Targets

In 2015 Council approved the Chinese Society Legacy Program, estimated to cost \$36 million. It is proposed that government contributions would make up **75%** of the program's funding (including City of Vancouver's contribution), with the remaining **25%** from Societies and other non-government funding partners as illustrated in Figure 2 below.

The Program aims to attract the federal and provincial governments as major partners, leveraging the \$3.6 million commitment from the City. Society heritage buildings include important commercial and cultural spaces, as well as 196 units of low-cost housing.

The City will explore opportunities to secure Federal Infrastructure Funding to support the Legacy Program, including funding for Affordable Housing, Social Infrastructure and National Historic Sites.

Specifically, the Federal Budget for 2016 places a high emphasis on expanding affordable housing, including for seniors. The Budget also indicated that most Federal funding will require matching funds from the Provincial government.

To increase the success of funding applications for the Legacy Program, phase 1 of the Legacy Program should prioritize society buildings that have the most potential for affordable housing delivery.

Staff will set up further meetings with the Canadian Mortgage and Housing Corporation, Canadian Heritage, Parks Canada and other federal and provincial program staff to discuss the process and timing on funding applications, program parameters and eligibility criteria.

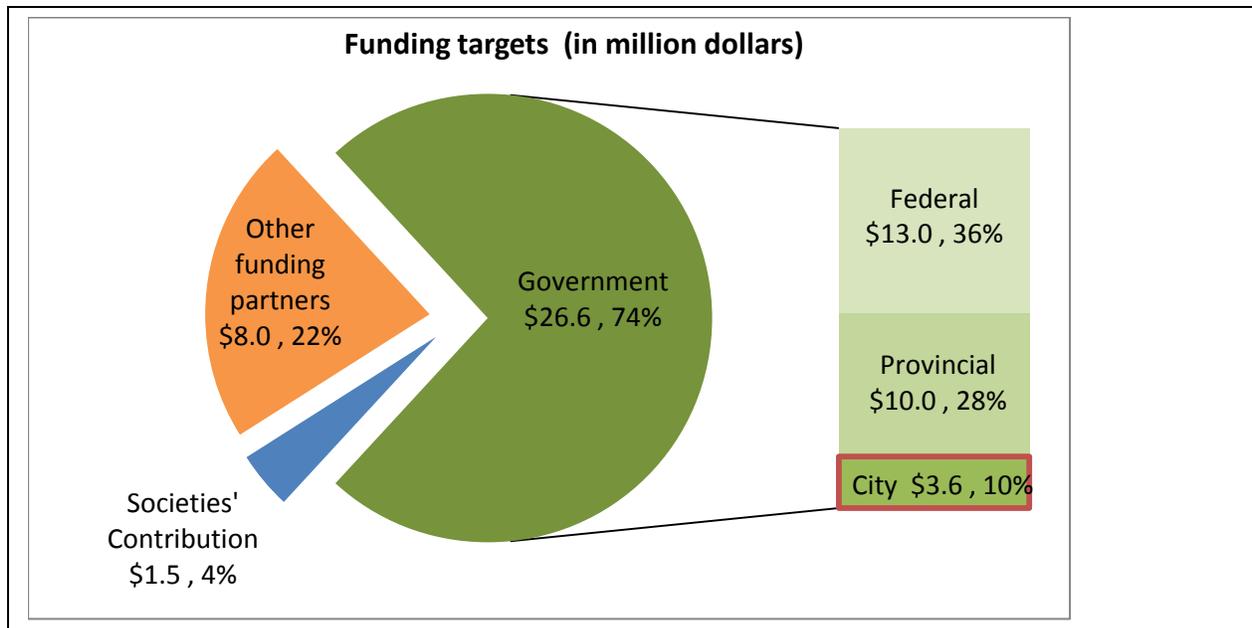


Figure 2 Funding Targets

Partnership Development

While senior government funding is being explored, staff continues to work with CSHBA and strategic partners to investigate other funding sources and fundraising tools for the remaining 25% of the program budget. These non-government sources may include private donations, Societies' own contributions, conventional loans and community bonds.

In particular, community bonds have generated interest and support from the Societies. In general, a bond is a form of debt that is issued for purchase and includes a set return on investment over a set period of time to the purchaser. Specifically, "a community bond" can be sold by a not-for-profit that promises not only financial returns, but also social or environmental benefits delivered by the issuing organization. In the case of Society buildings, the social benefits would be delivered through the restoration and continued operation of these heritage buildings.

The success of a fundraising drive through the sale of community bonds will be dependent on several factors, including types of security for the bonds, RRSP eligibility, expectation of return by prospective bond purchasers and market size.

The next step in implementing a community bond is to conduct an investor engagement workshop which will help structure and determine the market size for the bond. VanCity Community Foundation (VCF) has expressed their interest to partner with the City and the CSHBA to complete research on community bonds through their impact real estate portfolio.

Further, the Vancouver Heritage Foundation has expressed strong interest in being a fundraising partner, particularly for the restoration of heritage components in the Society buildings. Partnering with a charitable foundation with a city-wide mandate benefits the program greatly because they have the ability to issue tax donation receipts which is critical in widening the appeal of the program to the larger community.

Financial

On July 9, 2014, Council approved the *Chinese Society Buildings Matching Grant Program*, which included a \$400,000 allocation for a consultant study and capacity building. Approximately \$150,000 remains in this allocation.

This report recommends awarding a grant in the amount of \$100,000 to CSHBA as seed capital to implement phase 1 of the Legacy Program; source of funding to be the 2016 Capital budget - DTES Chinatown Society Heritage Buildings Grant Program.

The grant includes:

- \$50,000 for a program champion to assist CSHBA to coordinate phase 1 implementation with the goal of having two to three Societies ready for rehabilitation in 2017.
- \$25,000 for CSHBA to hire a project manager to complete business plans for two to three societies. This funding will be used to attract matching funds from VanCity Community Foundation.
- \$25,000 for a professional fundraiser and/or a community bonds specialist to implement the fundraising plan, including investigation and implementation of community bonds.

CONCLUSION

This report provides an update on the implementation plan and funding strategy requested by Council in December 2015. Staff will continue to work closely with CSHBA and the Societies to implement the program, with the goal of beginning rehabilitation of phase 1 buildings in 2017. Staff will report back to Council in one year to update on the fundraising results, and if any adjustments to the program implementation is needed.

* * * * *

Appendix A: Program Structure

Options to organize the program were evaluated, ranging from establishing a new entity (e.g. a community development corporation), partnering with existing organizations (e.g. Chinatown Society Heritage Buildings Association), or implementing the program with internal City staff.

The recommended approach focuses on working with Societies to build their capacity and enable them to rehabilitate their buildings, with assistance from the Chinatown Society Heritage Buildings Association (CSHBA) and other reputable implementation partners (e.g. VanCity Community Foundation, Vancouver Heritage Foundation). Existing organizations have the advantage of having built trust and reputation already. This approach is resource efficient and the program can be started quickly, without the time and funding needed to establish a new entity.

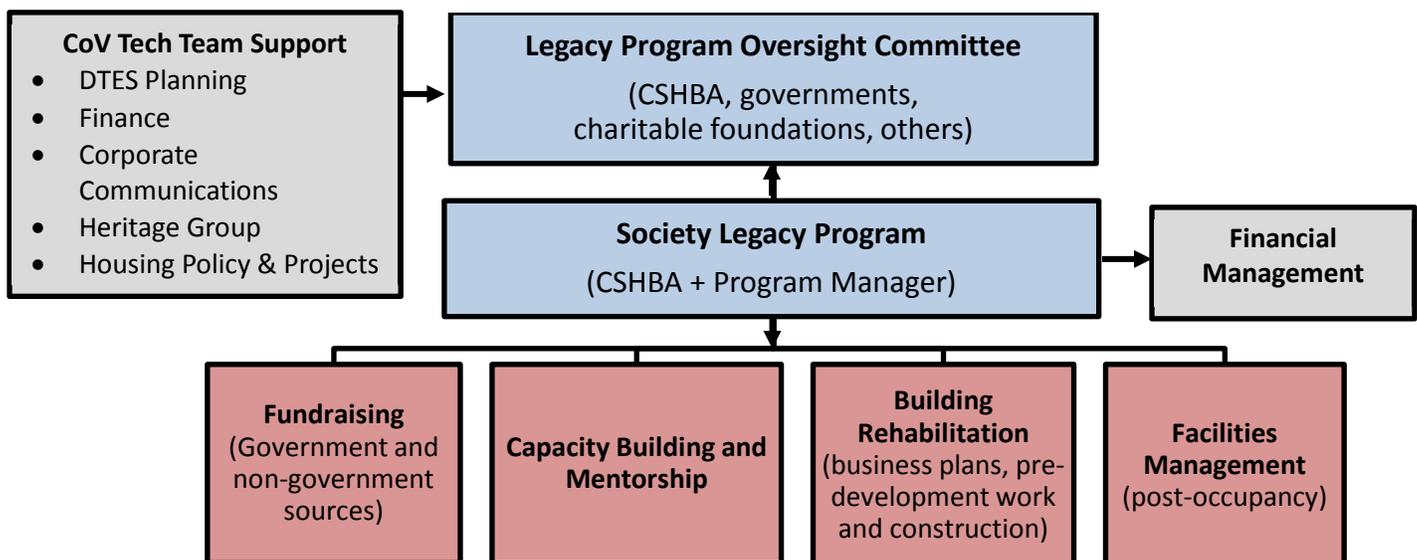


Figure 3 Proposed Program Governance Structure

Program Governance

The proposed program governance structure is illustrated in Figure 3. An oversight committee is recommended to govern the management of the program. A program manager will be required to coordinate program implementation with the fund manager, the societies and their contractors.

When sufficient funding is in place and program funding can be deployed, the program manager will also be responsible for providing due diligence on funding applications, and seek approval from the oversight committee on these applications. The program manager will be required to have real estate and project management experience.

The oversight committee will include representatives from the Chinatown Society Heritage Buildings Association, government representatives, other funders and strategic partners. It is

very important that this oversight committee has the trust of the Societies and community, in order to lend legitimacy and garner support to the program. The Committee should also include business leaders (e.g. people who are familiar with development and heritage rehabilitation) to provide a level of expertise to the implementation of the program.

Financial Management

An independent fund manager is recommended in this model to disburse funding and report on status of the funds. An example of a similar management model is the City of Surrey's Homelessness and Housing Fund Program. The \$9 million fund is overseen by the Surrey Homelessness and Housing Society (SHHS), who contracted VanCity Community Foundation to be the fund manager. Fund disbursements are approved by SHHS, which are disbursed by the Foundation. This arrangement ensures that there is financial oversight, transparency and it maintains an arms-length distance between SHHS and the Fund, since SHHS does not directly handle funding.

A fund manager is not required at the current program set up phase, but will be appointed when the program is ready for deployment, which is estimated to be in year 2017.

Capacity Building and Mentorship Update

A consultant has been hired for 2016 to continue building capacities with the Societies to help with their long-term sustainability. Four workshops are planned for 2016 on these topics: project management, financial tools and fundraising, business planning and facilities management. Attendance of workshops is mandatory for the Societies in the Legacy Program.

Building Rehabilitation

A project manager who works on behalf of the Society is recommended to coordinate the rehabilitation work, apply for City permits, manage contractors, manage the rehabilitation schedule and project budget. For quality assurance, staff will assist CSHBA to set up an accredited list of project managers who have experience in heritage building renovations and working with multiple project funders.

Facilities Management

Facilities management will begin after occupancy of the building. This will be the responsibility of each Society, or their appointed property manager.

Appendix B: Support Letter from the Chinatown Society Heritage Buildings Association

華埠僑團傳統建築協會

CHINATOWN SOCIETY HERITAGE BUILDINGS ASSOCIATION

C/O 118 KEEFER STREET EAST VANCOUVER, BC V6A 1X4 (604) 879-5550

RESOLUTION OF THE ASSOCIATION IN VANCOUVER, BRITISH COLUMBIA

**LETTER OF RECOMMENDATION TO VANCOUVER CITY COUNCIL SUPPORTING
CITY STAFF RECOMMENDATIONS ON THE CHINATOWN SOCIETY LEGACY
PROGRAM**

DULY PASSED ON MONDAY, MAY 2nd, 2016

WHEREAS the Chinatown Society Heritage Buildings Association (hereinafter named "CSHBA") is comprised of eleven Societies and Associations based in Vancouver with the mandate to advocate for the social, historic, cultural and economic revitalization of Vancouver Chinatown as a whole,

WHEREAS the CSHBA has been involved with the City of Vancouver Staff (hereinafter named "City Staff") in the formation and development of the Chinatown Society Legacy Program (hereinafter named "Legacy Program") as part of its advocacy efforts for the revitalization of Chinatown,

WHEREAS the CSHBA agrees with the recommendation of City Staff on the funding for Phase 1 of the Legacy Program to be presented to City Council on June 1st, 2016 with the wording noted as follows:

THAT Council approves a grant of \$100,000 to the Chinatown Society Heritage Buildings Association (CSHBA) as seed capital to implement phase 1 of the Society Legacy Program in consultation with the eleven (11) member Societies owning twelve (12) Heritage Buildings. Source of funds is the DTES Chinatown Society Heritage Buildings Grant Program, capacity building budget.

The grant includes:

- \$50,000 for a program champion to assist CSHBA to coordinate phase 1 implementation with the goal of having two to three Societies ready for rehabilitation in 2017
- \$25,000 for CSHBA to hire a project manager to complete business plans for two to three societies. This funding will be used to attract matching funds from VanCity Community Foundation

華埠僑團傳統建築協會

CHINATOWN SOCIETY HERITAGE BUILDINGS ASSOCIATION

C/O 118 KEEFER STREET EAST VANCOUVER, BC V6A 1X4 (604) 879-5550

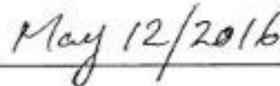
- \$25,000 for a professional fundraiser and/or a community bonds specialist to implement the fundraising plan, including investigation and implementation of community bonds

THEREFORE, BE IT RESOLVED THAT the Chinatown Society Heritage Buildings Association supports the aforementioned draft recommendation for the Chinatown Society Legacy Program to be presented to City Council through the issuance of a letter of support to be signed by the Association President and authorizes the Association President to represent the Association in addressing Vancouver City Council on this matter at the upcoming Council Meeting on June 1st, 2016.



President

Fred Mah



Date