



ADMINISTRATIVE REPORT

Report Date: Jun 15, 2016
Contact: Abi Bond
Contact No.: 604.873.7670
RTS No.: 11522
VanRIMS No.: 08-2000-20
Meeting Date: June 29, 2016

TO: Standing Committee on Policy and Strategic Priorities
FROM: General Manager, Community Services
SUBJECT: Capital Contribution for 288 East Hastings Street for Social Housing

RECOMMENDATION

- A. THAT Council authorize the General Manager of Community Services to enter into an agreement (the "Contribution Agreement") with British Columbia Housing Management Commission ("BC Housing") to set out the conditions of the capital contribution toward construction of 104 new social housing units at 288 East Hastings Street (PID: 029-768-446; Lot 1, Block 11, District Lot 196, Group 1 New Westminster District Plan EPP59251). The Contribution Agreement will be to the satisfaction of the General Manager of Community Services and the Director of Legal Services, and will state that the City will provide a contribution of \$1,040,000 to BC Housing for the social housing units and include the following:
- i. In consultation with the City, BC Housing will be responsible for the selection and oversight of a non-profit society to operate the social housing units;
 - ii. It is anticipated that these new social housing units will create opportunities for the homeless or individuals currently living in Single Room Occupancy (SRO) hotels to relocate to this project. As such, the City will work with BC Housing and the operator to agree on an approach to tenant selection for this development;
 - iii. Any operating surplus for this project, after adequate operating reserve and replacement reserve costs are accounted for, will be used to enhance affordability in the project and/or to create new social housing in the Downtown Eastside;

- iv. In consultation with the City, BC Housing will ensure that the terms of the operator agreement entered into with the non-profit society include conditions to ensure that the terms of the Housing Agreement for the social housing units and the Contribution Agreement are met.
- B. THAT upon approval of RECOMMENDATION A, Council approve a capital contribution of \$1,040,000 (\$10,000 per unit) to BC Housing to support the construction of 104 units of social housing at 288 East Hastings Street, including 35 units at shelter component of income assistance and 69 units at or below Housing Income Limits; source of funding to be the 2016 Capital Budget for Non-market Rental Housing.

REPORT SUMMARY

This report seeks Council approval of a capital contribution of \$1,040,000 to BC Housing for the construction of 104 micro dwelling units of social housing in the Downtown Eastside. The building will also contain 68 secured market rental housing units and is the first such development to be approved under the Downtown Eastside Oppenheimer District Official Development Plan (DEOD ODP) housing requirement (60% social housing/40% secured market rental housing) approved as part of the Downtown Eastside (DTES) Plan in 2014. The development supports the housing objectives of the DTES Plan by providing 35 of the social housing units renting the at shelter component of income assistance and the remaining 69 social housing units at rates at or below the Housing Income Limits (HILs), as published annually by BC Housing. This capital contribution supports continued partnership with the Provincial government in the delivery of social housing in the Downtown Eastside.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In July of 2011, Council adopted Vancouver's Housing and Homelessness Strategy 2012-2021: "A Home for Everyone." In addition to setting targets along the housing continuum for new housing delivery, the Strategy directed staff to develop and present an annual report card to Council to track progress towards achieving the Strategy's goals. 2016 marks the halfway point of this ten year Strategy.

In March, 2014, Council adopted the DTES Plan with the goal to improve the diversity of housing types, including much needed social and secured market rental, as well as improve building conditions, secure affordability, and provide supports to vulnerable tenants. The DTES Plan identifies the need to replace the 4,500 single room occupancy (SRO) rooms over the next 30 years with safe, secure and self-contained dwelling units, while also upgrading the current stock in the interim.

On January 25, 2016, the Development Permit Board approved the development of this site, with conditions (DE419659). The conditions require that two separate Housing Agreements be registered on title for this site - one to secure the 104 micro dwelling units to be owned by BC Housing in one air space parcel on the site as social housing at the rent levels proposed, and a second to secure the 68 for-profit affordable rental units which will be in another air space parcel and will be privately owned.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager and the General Manager of Community Services RECOMMEND approval of the foregoing.

REPORT

Background/Context

The DTES Plan included revisions to the DEOD ODP updating the zoning's bonus density mechanism to prioritize the area for rental housing. Using innovative development models, the DEOD ODP encourages mixed-income rental buildings (bonus density over a floor space ratio of 1 to provide 60 per cent social housing and 40 per cent secured market rental) to build and support sustainable social housing units and encourage market rental development rather than strata-ownership housing in the area.

As the DTES plan states, partnerships are essential to providing sufficient affordable housing for the existing low-income community. The City needs to work together with and leverage other levels of government as well as private, non-profit and community stakeholders to assist in developing an affordable housing supply that will meet local need. The DEOD ODP plays a distinct role in terms of requiring innovation to leverage partner equity to increase social housing and affordable rental for low- and moderate-income households.

This project fulfils that vision and through a partnership with BC Housing, will provide much needed social housing and affordable rental for low- and moderate-income singles, and those at a higher risk of homelessness. This is a 100% rental building that will include: 35 social housing units that will rent at the shelter component of income assistance; 69 social housing units that will rent at or below HILs; and a further 68 units of privately-owed secured market rental housing. Subsequent to the approval of the Development Permit Board on Jan 25, 2016, the site lots have been consolidated and ownership of the site has been transferred to the Provincial Rental Housing Corporation, which is the land holding arm of BC Housing.

Strategic Analysis

The Housing and Homelessness Strategy 2012-2021 identifies a need for 5,000 social housing units. If this capital contribution is approved, it will aid the completion of 104 units of social housing, including 35 units at the shelter component of income assistance, in the Downtown Eastside. These units are included in the total under Current Projects (All Other Non-Market Units) presented in Table 1 below.

Table 1: Progress towards Social & Supportive Unit Targets as set in the City's Housing and Homelessness Strategy (Mar 31, 2016)

	TARGETS ¹		CURRENT PROJECTS	GAP	
	Long Term (2012-2021)	Short Term (2012-2018)	Committed, Under Construction and Completed	(2018 Target)	(2021 Target)
Supportive Housing Units	2,900	2,700	1,844	856	1,056
All Other Non-Market Housing Units	5,000	3,500	1,787	1,713	3,213
Total Non-Market Housing Units	7,900	6,200	3,631	2,569	4,269

¹ Targets are established in the 2011 City of Vancouver Housing and Homeless Strategy.

The DTES Plan also sets out non-market and rental housing targets. This project consists of a twelve-storey, mixed-use building, providing non-market housing in 40% of the building's residential floor area. The 104 micro dwelling units to be used for social housing have been designed in accordance with the Micro Dwelling Unit Guidelines and will be built on a total floor area of approximately 3,313 m² (35,658 ft²). These units are included in the total under Current Projects (Approved, Non-Market Housing) for the Downtown Eastside presented in Table 2 below.

Table 2: Progress towards units in the City's Downtown Eastside Plan (to May 2016)

	TARGETS	CURRENT PROJECTS				GAP
	10-Year (2023)	Completed	Under Construction	Approved	Total	Above or Below 10 Year Target
Non-Market Housing ¹	1,400	422	233	134	789	611 Below Target
Secured Market Rental Housing ²	1,650	19	118	191	328	1,322 Below Target

¹ This number includes both social and supportive housing

² DTES Plan targets for secured market rental include 100% rental projects, new units achieved through mixed projects, such as the DEOD ODP 40% rental inclusionary policy and conversion of SRO rooms to self-contained units.

Housing Agreement and Rental Mix

The development permit for this site was approved with conditions that include a Housing Agreement for the social housing units and a Housing Agreement for the secured market rental units. Under the requirements of the DEOD ODP and the definition of social housing in the DEOD ODP, the Housing Agreement for the social housing units will stipulate that at least one third (35 units) of the 104 social housing units are occupied by persons eligible for either Income Assistance or a combination of basic Old Age Security pension and Guaranteed Income Supplement and are rented at rates no higher than the shelter component of Income Assistance (currently \$375/month). The target rents and affordability for the remaining two-thirds of the social housing units will include one-third (35 units) at or below HILs, and the remaining one-third (34 units) at affordable market rents as based on CMHC average market rents for East Hastings.

Under City by-laws, social housing units must be owned by a non-profit corporation, by a non-profit cooperative association, or by or on behalf of the city, the Province of British Columbia, or Canada. As envisioned in the DTES Plan, this ownership model will ensure that any surplus created in the operation of the social housing projects will be reinvested into deepening affordability for units within the project, other projects in the DTES, or used to create new social housing units in the DTES.

A condition of this capital contribution will be that any operating surplus, after adequate contributions toward the operating reserve and capital replacement reserve are accounted for, will be used to enhance affordability in the project and/or to create new affordable housing in the Downtown Eastside. This condition will be included in the Contribution Agreement and is to be included in any future operator agreements that are entered into by BC Housing with a non-profit operator (or operators).

It is anticipated that these new social housing units will create opportunities for some individuals currently living in SRO hotels or other interim housing locations to relocate to this project. By creating this flow from the SRO and Supportive housing stock, it is anticipated that more street and sheltered homeless will be able to benefit from the support services available in many SRO buildings. The City will work with BC Housing and the non-profit operator to determine an approach to tenant selection for this development.

Operator and Operating Agreement

Since approval of the development in January 2016, ownership of this site has been transferred to the land holding arm of BC Housing - the Provincial Rental Housing Corporation. Once the development is complete, BC Housing intends to sell back the air space parcel containing the secured market rental units to Wall Financial, while retaining ownership of the air space parcel containing the social housing units and the commercial/retail units.

In consultation with the City, BC Housing will be responsible for the selection and oversight of a non-profit society to operate the social housing units. The non-profit housing provider selected to operate the project will enter into an Operator Agreement with BC Housing. The Performance Standards in that agreement will include conditions to ensure that the intended affordability and income targets as set out in the Housing Agreement are achieved. BC Housing will consult with the City to ensure that the final Operator Agreement satisfies these conditions. BC Housing will monitor the Operator's achievement of the Performance Standards on an ongoing basis. BC Housing will provide audited statements for the project at the City's request.

Housing Infrastructure Capital Grants and Contributions

In situations where the development of non-market housing projects are not viable, or where a City contribution will assist in addressing the issue of street homelessness, or meeting the needs of low income and core-need households, Council has provided capital contributions to non-market housing sponsors. Such contributions help ensure the projects can proceed, and that the rents in these properties can be reduced to levels that are affordable to persons on income assistance or who are otherwise low-income / core-need income households.

This project will serve a Council priority by providing 104 units of non-market rental housing, including 35 units at shelter component of income assistance, in the Downtown Eastside for those who vulnerable and at risk of homelessness. The development supports the DTES Plan goal to replace SROs with self-contained social housing. The project also works within the DEOD requirement to leverage partner equity as well as creativity to assist the City in increasing social housing and affordable rental for low- and moderate-income households.

This project enables the City an opportunity to partner with BC Housing to provide much needed social housing and affordable rental for low- and moderate-income singles, and those at a higher risk of homelessness. This partnership builds on previous City and Provincial partnership efforts to deliver non-market housing units including projects at 211 Gore St and 395 Kingsway. Staff recommend that Council approve a capital contribution of \$1,040,000 to BC Housing (\$10,000 per unit) to support the construction of 104 units of social housing, including 35 units at shelter component of income assistance and 69 units at or below HILs.

Implications/Related Issues/Risk (if applicable)

Financial

One-time Capital

The mixed-use development includes 104 units of social housing, 68 units of secured market rental, and commercial/retail space of 6,004 sq. ft. at grade. Upon completion, the air space parcel containing the secured market rental units will be sold to Wall Financial Corporation and the air space parcel containing the social housing component and the commercial/retail space will be retained by Provincial Rental Housing Corporation on behalf of BC Housing. BC Housing currently intends to target the ground floor commercial/retail units for social enterprise or local retailers.

The overall project cost is estimated at ~\$39.5 million, including land and construction. BC Housing has estimated that the cost associated with the social housing component is ~\$19.2 million. BC Housing is responsible for the design, construction and financing of the project, including any take-out financing.

On the secured market rental component (68 units), a DCL waiver is anticipated to be sought by BC Housing. Should this air space parcel meet the definition of "for profit affordable rental housing" in the *Vancouver Development Cost Levy By-law*, it will be eligible for a waiver estimated to be \$625,836, to be confirmed at building permit stage.

The social housing component of the project (104 units) meets the definition of "social housing" and will qualify for DCL exemption under Section 523D (10)(d) of the *Vancouver Charter* and the *Vancouver Development Cost Levy By-law*. On this basis, the DCL exemption for the social housing is estimated to be \$554,960, to be confirmed at building permit stage.

The recommended City contribution (\$1.04 million) represents \$10,000 per unit in accordance with the current Housing Infrastructure Grant guidelines for social housing. It represents ~5.4% of the estimated development cost (land and construction) of the social housing component (\$19.2 million). The source of funding for the capital contribution is the 2016 Capital Budget for Non-market Rental Housing (Social Housing). The City's contribution is conditional on building permit issuance, registration of the Housing Agreement, and sign off on the terms of the Contribution Agreement as outlined in this report.

Ongoing Operating

Consistent with Council policy, non-market housing projects are expected to be sustainable over the long term and require no further contributions and subsidies from the City, with the exception of potential foregone property taxes should the project obtain Class 3 designation from the Province.

The social housing component will be owned by the Provincial Rental Housing Corporation on behalf of BC Housing. BC Housing will contract with a non-profit housing operator to operate the social housing units.

The Housing Agreement will require one-third (35) of the units to be rented at the shelter component of income assistance (\$375 per month), one-third (35) at or below

HILs, and one-third (34) at affordable market rents as based on CMHC average market rents for East Hastings. However, BC Housing will strive to achieve deeper affordability over the long term. This rental mix and target affordability will ensure the long-term sustainability of the project, as the rental income (including the commercial space) is anticipated to cover mortgage payments, operating, programming, service and facility costs, as well as contributions towards any operating and capital replacement reserves.

BC Housing has prepared a preliminary operating budget (Table 3) subject to further refinement upon selection of an operator and development of an operations and maintenance plan for the social housing and commercial space.

Table 3: Preliminary Operating Budget & Debt Servicing Capacity

	Units	Avg Rent	Rental Income	Operating Costs	Net Operating (Available for Debt Servicing)
Studios - HILs to LEM	69	\$ 800	\$ 662,400	\$ (457,056)	\$ 205,344
Studios - Shelter	35	\$ 375	\$ 157,500	\$ (231,840)	\$ (74,340)
Vacancy Loss (2.4%)			\$ (19,650)		\$ (19,650)
Commercial (\$20/sq ft net)					\$ 120,080
Total			\$ 800,250	\$ (688,896)	\$ 231,434
<i>\$ per unit per month</i>			<i>\$ 641</i>	<i>\$ (552)</i>	<i>\$ 185</i>

CONCLUSION

The City Manager and the General Manager of Community Services recommend Council approve a capital contribution to BC Housing towards the development of 288 East Hastings St which will add affordable housing for those who are vulnerable and at risk of homelessness in the Downtown Eastside. This capital contribution contributes to project feasibility and supports partnerships in the development of sustainable social housing and secured market rental housing development in the Downtown Eastside Oppenheimer District.

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