



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: July 26, 2016  
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VanRIMS No.: 08-2000-21  
Meeting Date: July 26, 2016

TO: Vancouver City Council  
FROM: CEO, Vancouver Affordable Housing Agency  
SUBJECT: Modular Housing Initiative

### IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or exploration of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the City.

### RECOMMENDATION

- A. THAT Council approve a multi-year project budget of up to \$4 million to deliver a pilot modular housing project at 1500 Main Street with approximately 40 units as outlined in this report; source of funding to be City-wide Development Cost Levies (DCLs) allocated to Replacement Housing, to be added to the 2015-18 Capital Plan for Non-Market Rental Housing and to the annual 2016 Capital expenditure budget.
- B. THAT Council authorize Bid Committee (As per Policy AF-015-01) to make an award of a contract(s) during recess subject to final negotiations and in a form satisfactory to City Manager, Chief Housing Officer and Director of Legal Services.
- C. THAT the Chief Housing Officer and the Director of Legal Services be authorized to negotiate and execute an agreement for supply and construction of the modular housing units at 1500 Main Street upon successful negotiations with the recommended proponent, on such terms and conditions satisfactory to the Chief Housing Officer and the Director of Legal Services, and approved by Bid Committee.

- D. THAT no legal rights of obligations will arise or be created by Council's adoption of Recommendation B or C unless and until all legal documentation has been executed and delivered by the respective parties.

### **REPORT SUMMARY**

Like other major Canadian cities, Vancouver faces challenges in ensuring there is an adequate supply of affordable housing to meet the needs of all of its citizens. Vancouver has aggressively taken steps to tackle homelessness by taking on greater responsibility for housing delivery, despite having limited tools at our disposal with which to respond. However, increasing the supply of affordable housing units takes time, so the City, through the Vancouver Affordable Housing Agency ("the Housing Agency"), has been exploring alternative and innovative solutions to provide temporary housing options on an expeditious timeline.

Modular housing is not a new form of construction and has been used successfully in a number of countries across a large variety of projects. The modular construction process which allows for buildings to be stacked, relocated and reconfigured, offers a creative solution that will provide housing units that can be moved from site to site as future requirements dictate. There is the added consideration that in recent years, labour and material costs involved in more traditional construction techniques have increased and continue to rise, so centralizing the construction process to an offsite factory offers some financial and time savings.

The Housing Agency is progressing an initial pilot project located at 1500 Main Street to deliver temporary modular housing. It is anticipated that approximately 40 units will be provided on this site.

An RFP was issued to 5 firms that were pre-qualified to receive module housing RFPs through a Request for Qualifications process. The project team is currently undertaking the evaluation and intends to award the contract in early August, subject to successful negotiations with the selected proponent and following review and approval by Bid Committee.

To facilitate this process the Housing Agency is seeking Council approval for a capital budget of \$4 million to be allocated to capital funding for the delivery of approx. 40 self contained modular housing units. Further sites are being identified and Council approval will be sought for additional projects.

Proposals are being submitted to both the provincial and federal governments, as well as StreetoHome, to leverage funding from other partners to support this initiative.

### **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

Addressing housing and wellness needs has been a key focus for the City in the implementation of:

- Housing and Homelessness Strategy 2012-2021 (2011)
- Mayor's Task Force on Housing Affordability (2012)
- Healthy City Strategy (2014)
- Mayor's Task Force on Mental Health and Addictions, Caring for All: Priority Actions to Address Mental Health and Addictions (2014)
- Creation of Housing Authority (RTS: 10659)

## ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

Modular housing is an innovative approach to help address immediate housing needs while new permanent housing is built. The pilot projects will enable this technology to be tested on a number of sites and subject to performance can be scaled up to deliver new affordable housing units within months.

Bringing under-utilized sites that are awaiting redevelopment into short term use, is an excellent opportunity to make the most of valuable resources. These modular housing units will provide good quality affordable housing for people on fixed and low incomes.

## ***REPORT***

### ***Background/Context***

Vancouver has the highest housing prices and rents and the lowest median incomes among Canada's major cities. Higher housing costs and rents combined with declining rental vacancy rates are resulting in competition for scarce affordable housing. The City has allocated 20 sites to be developed for affordable housing and while the Housing Agency is working on the planning and design of the initial 12 sites, it will take 2-3 years before new units are completed. In the meantime, there is an immediate need to address street and shelter housing needs on both a temporary and permanent housing basis.

Modular housing is potentially an excellent opportunity to work with established modular housing providers to develop new housing units that can be delivered within months.

The Housing Agency has undertaken a procurement exercise to shortlist 12 modular housing providers who have a track record and resources to work with the Housing Agency on this initiative. The initial intent is to pilot this initiative on a number of sites providing both temporary modular housing units on sites which are due for redevelopment as well as permanent modular housing units on sites that are available for up to 60 years. The RFP for this initial pilot project was offered to the five highest scoring companies that were previously shortlisted.

### ***Strategic Analysis***

The City has in the past, acquired, leased or supported our non-profit partners to lease commercial hotels to address short term temporary housing needs. Examples include the City purchase of 3475 E. Hastings (former Ramada) and lease of 1335 Howe Street (Quality Inn). Council also approved a grant to Community Builders who leased 1060 Howe (formerly the Bosman Hotel). However, with rapidly increasing property values and shortage of supply, it has been difficult to continue to secure these types of assets.

There is a gap in new supportive housing and social housing delivery as existing projects such as the 14 MoU sites have been completed and staff negotiate new funding opportunities with the provincial and federal governments.

There are additional housing pressures created due to expiring leases on existing temporary housing projects such as 1335 Howe Street, and redevelopment of existing City projects such as Roddan Lodge, and the need to relocate tenants.

The current encampment of homeless people at 58 Hastings demonstrates a need to bring forward affordable housing supply in an expedient manner.

Modular housing has the ability to meet this urgent need and has the following benefits:

- Ability to utilize sites and infill opportunities, including smaller sites that are currently vacant or unused, and sites awaiting re-development;
- This form of construction is well positioned to deliver units expeditiously and cost effectively;
- Pilot new construction techniques to enable off site manufacture, faster and safer construction on site, better quality control and enhanced energy efficiency to achieve Net Zero goals;
- Less impact on local residents and neighborhood as on-site construction is minimized;
- Modular units can be re-located as required to new temporary sites when existing site is due for redevelopment;
- The temporary concept is not designed to provide long term accommodation, but to act as a transition between temporary accommodation and permanent housing
- Also long term modular housing can also be built where there is an opportunity for infill or small sites
- Added Health & Safety protocol and controls in the factory based environment
- Reduced wastage and material efficiency - cutting lists and materials shared between a number of projects.

s.17(1)

The proponents have undertaken a detailed assessment of Vancouver's Building Bylaws and submitted some really innovative proposals, with the ability to relocate the modules once the site is ready for redevelopment. The project provides self-contained micro-suites rather than rooming units. The project team is currently evaluating the proposals.

Staff will also issue a request for proposals to non-profit operators and will report back to Council on selection and potential operational funding requirements once staff have more information on the tenant mix, rents and operational funding requirements. Staff will work with Vancouver Coastal Health and other partners to ensure any necessary and resources are available to manage these units effectively.

Further sites are being identified by Real Estate Services and the Housing Agency including 58 Hastings as well as small sites that the City owns and partner owned sites. The intent is to go out with RFPs on these other sites shortly and leverage funding from BC Housing and other partners.

***Implications/Related Issues/Risk (if applicable)******Financial*****Capital**

Modular housing is a new form of housing for the City and a strategy will be developed over the coming months to integrate this form of housing into the overall interim housing strategy and funding requirements. In the meantime, the pilot projects will be approved on a site by site basis and for 1500 Main Street a multi-year budget of up to \$4 million (~\$100,000 per unit) is recommended. The source of funding is the City-wide DCLs allocated to Replacement Housing, to be added to the 2015-18 Capital Plan for Non-Market Rental Housing and to the annual 2016 Capital expenditure budget.

**Operating**

Consistent with Council policies, all non-market housing is expected to be self-sustaining and not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City.

It is anticipated that the self-contained modular units will generate rental income to offset some of the operating and facility maintenance costs. These units will be made available to tenants at income assistance levels. Some tenants may require some on-site support services while others may be more stabilized and independent who do not require any support. Staff will work with our housing partners, BC Housing and Vancouver Coastal Health on an operating model and tenant mix that optimizes viability of the project, and secure the necessary partnership funding to addressing the needs of the target tenants.

Staff will report back with the housing partnership arrangements, operating/lease terms, funding strategy, target affordability and any other legal agreements required for Council consideration.

***CONCLUSION***

This report seeks Council approval to secure up to \$4m to deliver a pilot modular housing project at 1500 Main Street with approximately 40 units.

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