



ADMINISTRATIVE REPORT

Report Date: April 19, 2018
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Meeting Date: May 2, 2018

TO: Standing Committee on City Finance and Services

FROM: General Manager of Arts, Culture and Community Services

SUBJECT: Mixed-Use Development at 1636 Clark Drive and 1321 to 1395 East 1st Avenue - Approval of MOU, Capital Contributions and Negotiation of Ground Lease

RECOMMENDATION

- A. THAT Council approve the executed Memorandum of Understanding, included as Appendix A, between the City of Vancouver, the British Columbia Housing Management Commission, and Vancouver Coastal Health Authority for a proposed mixed-use development comprising the City-owned lots addressed at 1636 Clark Drive and 1321 to 1395 East 1st Avenue legally described as:

Parcel Identifier: 013-004-638, Lot 24, Except (A) Part in Plan 4123 and (B) Part in Explanatory Plan 17378 Block 60 District Lot 264A Plans 383 and 1771

Parcel Identifier: 013-004-590, Lot 23, Except Part in Explanatory Plan 17378, Block 60 District Lot 264A Plans 383 and 1771

Parcel Identifier: 013-004-581, Lot 22, Except Part in Explanatory Plan 17378, Block 60 District Lot 264A Plans 383 and 1771

Parcel Identifier: 006-747-884, Lot 21 Block 60 District Lot 264A Plan 383 and 1771

Parcel Identifier: 013-359-932, Lot 20 Block 60 District Lot 264A Plan 383 and 1771

Parcel Identifier: 015-327-345, Lot 19, Except the South 7 Feet Now Road, Block 60 District Lot 264A Plan 383 and 1771

Parcel Identifier: 015-327-337, Lot 18, Except the South 7 Feet Now Road, Block 60 District Lot 264A Plan 383 and 1771

The Common Property of Strata Plan VAS1149 and Strata Lots 1 to 13 District Lot 264A Strata Plan VR. 1149

Parcel Identifier: 015-213-552, Lot 15 Block 60 District Lot 264A Plan 383 and 1771

Parcel Identifier: 015-327-329, Lot 14 Block 60 District Lot 264A Plan 383 and 1771

Parcel Identifier: 012-694-029, Lot 13 Block 60 District Lot 264A Plan 383 and 1771

(Together "the Property").

- B. THAT Council receive for information the preliminary budget for the development of the Property as set out in Table 1 of this report, and staff will return to Council for approval for any finalized City contributions for the development.
- C. THAT Council authorize the Director of Real Estate Services to commence negotiations with the British Columbia Housing Management Commission for a ground lease of the Property (after consolidation), which ground lease will be negotiated on the understanding that the execution and registration of the ground lease will be subject to: the Property being consolidated; the Property being rezoned through the City's normal regulatory process (including, without limitation, satisfaction of all rezoning conditions), and; approval of the fully-negotiated ground lease by Council on the following key terms:

Parties: City of Vancouver, as landlord (the "City")
British Columbia Housing Management Commission (or its designate), as tenant ("BC Housing")

Premises: The Property subject to consolidation of the Property into one legal parcel

Term: Of sufficient length to enable both construction of the development and a 99-year lease of the social housing component of the development upon completion of construction

Rent: Nominal rent of \$10, a nominal rent
long-term lease to be part of the City's capital contribution towards the development

Use: A four-storey mixed-use CD-1 development of approximately 118,000 sq. ft. (subject to final design and approval) comprised of the following uses and areas:

- Community Health Services & Adult Transitional Services measuring ~55,000sf, including 20 Transitional Units (the "Community Health Component")
- Social Housing measuring ~60,000sf, 60-100 units (the "Social Housing Component")
- Social Enterprise Space measuring ~3,000sf (the "Social Enterprise Component")

(the "Development")

Other Terms: Upon completion of the Development, BC Housing shall sublease the Community Health Component for 99 years less one day to Vancouver Coastal Health (VCH) and the Social Enterprise Component for 99 years less one day to the City.

The ground lease is to be based on the City's form of lease for developments of this nature, drawn to the satisfaction of the General Manager of Real Estate & Facilities Management, the General Manager of Arts, Culture & Community Services and the Director of Legal Services

(Collectively, the "Ground Lease")

- D. THAT Council approve a capital contribution in the amount of \$16,700,000, in the form of a nominal ground lease, towards this Development; this contribution being the fair market value of the 99 year Ground Lease for the contemplated consolidated site. Consolidation of the properties will require a transfer of properties from the Capital Fund to the PEF, and will be brought forward separately for Council approval.
- E. THAT Council's decision to approve the Memorandum of Understanding, receive the preliminary budget for information, to authorize the Director of Real Estate Services to commence negotiations with the BC Housing for the Ground Lease of the Property and to approve the capital contribution towards the Development in the amount of the fair market value of the Ground Lease will not, in any way, limit Council or the City and its officials (including the Approving Officer) in exercising their regulatory discretion in respect of any rezoning, subdivision or consolidation or permitting of or for the Property.
- F. THAT no legal rights or obligations shall be created and none shall arise until the matters set forth in Section 7.2 of the Memorandum of Understanding have been fulfilled, including approval by Council.

REPORT SUMMARY

This report seeks Council's approval of the executed Memorandum of Understanding (the "MOU") between the City of Vancouver ("the City"), the British Columbia Housing Management Commission ("BC Housing"), and the Vancouver Coastal Health Authority ("VCH") for the proposed mixed-use project at 1636 Clark Drive and 1321 to 1395 East 1st Avenue ("the Property"). This report provides the preliminary project budget for information, and seeks approval for the terms of the Ground Lease, as laid out in Section 5.0 of the MOU.

The proposed 118,000 sq. ft. development will include approximately

- Approximately **60-100 units of social housing**;
- A **withdrawal management centre** providing inpatient and outpatient services;
- **20 new beds of short-term housing** for clients transitioning to long-term solutions;
- A **City-owned social enterprise** focused on **Indigenous healing and wellness** through employment;
- An **academic learning component** to support best practices in withdrawal management; and

- **Culturally-appropriate services** to meet the needs of community members.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Healthy City Strategy (2014), a long-term, integrative plan to support social, economic, and ecological sustainability in Vancouver.

City of Reconciliation (2014), a long-term commitment to raise awareness, create partnerships, and address capacity for the betterment of the City of Vancouver, focusing on significant relationships with the Musqueam, Squamish, and Tsleil-Waututh First Nations, and with the urban Aboriginal community.

Mayor's Task Force on Mental Health and Addictions, Caring for All (2014), outlining priority actions to improve the mental health and addictions system of care, including a focus on wellness for Indigenous peoples.

Grandview Woodland Plan (2016), balancing community values with sound planning principles to address affordability, sustainability, and liveability in the Grandview-Woodland neighborhood.

Housing Vancouver (2018) The strategy seeks to shift the supply of new homes toward the right supply, with targets for new units along a continuum of housing types. The *Housing Vancouver* targets were based on the core goals of retaining a diversity of incomes and households in the city, shifting housing production towards rental to meet the greatest need, and coordinating action with partners to deliver housing for the lowest income households. Overall, 72,000 new homes are targeted for the next 10 years, including 12,000 social, supportive and non-profit co-operative units and 20,000 purpose-built rental units.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Arts, Culture and Community Services recommends APPROVAL of the foregoing recommendations. The City Manager supports the project outlined in the proposed MOU as an innovative demonstration of key partners working together on shared priorities to better address a clear need for addiction service-delivery, housing and employment in Vancouver.

REPORT

Background/Context

Vancouver is in the midst of a compounding affordability and public health "crisis". For some residents, this means struggling with multiple interconnected and cyclical barriers such as addiction, housing instability, and an inability to "make ends meet". Through Housing Vancouver and the Healthy City Strategy, the City is committed to working with partners across the housing and health sectors to advance the delivery of social and affordable housing, community health services, and employment opportunities in Vancouver.

BC Housing, in conjunction with Vancouver Coastal Health and the City, is proposing to develop a 'state-of-the-art' multi-use development that includes approximately 60 to 100 units of social housing; a withdrawal management centre; transitional housing; an academic hub; culturally appropriate services; and a City-owned social enterprise focused on Indigenous healing and wellness.

VCH currently operates an existing detox facility on a City-owned site at 377 East 2nd Avenue, a facility that no longer meets the health needs of the community, and many people are accessing services through emergency departments. VCH seeks a nearby location to the Downtown Eastside to modernize its detox program into a withdrawal management centre, as part of the implementation of VCH's recently-launched Downtown Eastside Second Generation Strategy. As per the Section 5 of the MOU, the City has received confirmation in writing that the Province of British Columbia will surrender its interest in the existing lease for the Detox Centre at 377 East 2nd Avenue.

This report also recognizes that the urban Indigenous community continues to experience ongoing inequities when it comes to accessing culturally informed health services, housing and employment in Vancouver. The City will be working together with the Metro Vancouver Aboriginal Executive Council ("MVAEC") to promote Indigenous healing and wellness on all aspects of the project, but with a particular focus on Indigenous employment. Vancouver Coastal Health's services will be trauma-informed and promote culturally safe service delivery.

Strategic Analysis

The proposed mixed-use development will provide several amenities in the Grandview Woodland neighbourhood for current and future residents. Access to affordable housing, recovery treatment and a diverse range of employment opportunities as part of long-term recovery are key priorities for the City, BC Housing and Vancouver Coastal Health. This project aims to address key gaps identified in the City's Housing Vancouver Strategy, Mayor's Task Force on Mental Health and Addictions, and Community Economic Development Strategy as well as Vancouver Coastal Health's Downtown Eastside Second Generation Strategy and Mental Health and Addictions Plan. Partners will be working with the urban Indigenous community to inform project design and service components.

Key objectives of the Project are to:

- Promote recovery through culturally safe and relevant Indigenous healing and wellness through housing, addiction treatment, and employment opportunities;
- Address gaps in access to immediate detox referral and promote alignment to short and long-term residential and community treatment programs in Vancouver;
- Provide academic teaching and learning opportunities for medical professionals and academic researchers to build and transfer knowledge;
- Promote housing stability while in treatment to stabilize the recovery process;
- Decrease contact with the criminal justice system and divert emergency room and hospital visits for people who are inebriated.

Proposed Development and Site Description

In summary, the proposed development will include:

- **Culturally-appropriate services and design** to address community needs;
- **Approximately 60-100 units of social housing**;
- **A withdrawal management centre** providing inpatient and outpatient services;
- **20 new beds of short-term housing** for clients transitioning to long-term solutions;
- **A City-owned social enterprise** focused on **Indigenous healing and wellness** through employment;
- **An academic hub** to support best practices in withdrawal management; and

Key Components of the Project

1. VCH-operated Withdrawal Management Centre and Transitional Treatment Services (~55,000 sq. ft.), the “Community Health Component”

The Community Health Component will offer outpatient and inpatient withdrawal management services and sobering and at-home withdrawal services in an integrated setting. The Community Health Component will also provide 20 short-term housing units for individuals that have completed detox and are transitioning to long-term solutions, to be operated by VCH under a sublease from BC Housing.

The existing lease for the VCH operated detox centre at the City-owned site, 377 E2nd Avenue, will be surrendered by the Province and VCH. This surrender has been confirmed by VCH in accordance with 5.1 of the MOU and shall be completed by a separate surrender agreement within six months of issuance of occupancy permits for the Development.

2. Social Housing Component (~60,000 sq. ft.)

The Project will include approximately 60-100 social housing units, depending on household unit type distribution. BC Housing and the City of Vancouver will work to maximize the affordability of the rents with a minimum, one third of the units to rent at the Housing Income Limits, as set out and adjusted each year by BC Housing. Negotiations on the key lease terms and achievable depth of affordability will be undertaken subsequent to the approval of the MOU. BC Housing will sub-lease the social housing units to a non-profit housing provider to operate.

All 17 existing rental housing units will be replaced onsite, and as per the MOU, the City will provide all existing tenants with a tenant relocation plan, as per the City’s Tenant Relocation Policy and Guidelines. BC Housing will also offer eligible tenants right of first refusal into the new social housing units.

3. Social Enterprise Component (~3,000 sq. ft.)

The City will obtain a sublease for the Social Enterprise Component from BC Housing and may sub-lease this space to a non-profit operator to support Indigenous healing and wellness and community economic development. The City-owned Social Enterprise Component will support Indigenous healing and wellness through meaningful employment, supporting opportunities for local job creation outside the DTES—a priority both in line with the City’s commitments to its Community Economic Development Strategy and City of Reconciliation framework.

Incorporating Indigenous healing and wellness services, as well as design, into the project reflects a connection to key service agency services such as the Vancouver Aboriginal Friendship Centre Society, Urban Native Youth Centre, Vancouver Native Housing Society, and Britannia Community Centre. The City will work with the Metro Vancouver Aboriginal Executive Council (MVAEC) to explore opportunities and design of this space.

Preliminary Project Budget

BC Housing has provided the parties with a preliminary budget for the project, and it is included here for information:

Table 1: Preliminary Project Development Budget

Estimated Development Costs	
Land (CoV)	\$16.7 million
Environmental Remediation (CoV)	TBC
Construction/Development	\$46.5 million
Soft Costs	\$18.0 million
Total	\$81.2 million + TBC

Implications/Related Issues/Risk (if applicable)

Financial

Contemplated City contribution

The MOU contemplates the following contributions from the City:

- **Ground Lease:** Real Estate Services has appraised the Property with a fair market value (FMV) of \$17.5 million. 99 year ground leases are valued at 95% of FMV; therefore, the proposed Ground Lease and associated capital contribution is estimated at \$16.7 million.

A nominal Ground Lease for the contemplated consolidated site, currently comprised of four lots currently held in the Property Endowment Fund and seven held in the Capital Fund; the estimated combined value of which is \$16.7 million. Consolidation of the properties will require a transfer of properties from the Capital Fund to the PEF and will require approval from Council.

- **Environmental Remediation:** Expenditure for environmental remediation of the contemplated consolidated site is not included in the above land lease value. The City carries the obligation to remediate the site. (Note: Cost to be confirmed and brought back to Council for approval; funding to be brought forward through future Capital budget processes).
- **Tenant Relocation Costs:** Estimated \$65,000 for Phase 1 Tenant Relocation Plan for the 17 existing renter households (Note: Cost to be confirmed and brought back to Council for approval; funding to be brought forward through future Capital budget processes).
- **Social Enterprise:** Capital contributions towards design, development and construction of the Social Enterprise component of the project. The City's contribution will form part of the total estimated \$46.5M of total construction/development costs noted above. (Note: Cost for the Social Enterprise component to be confirmed and brought back to Council for approval; funding to be brought forward through future Capital budget processes). There will be an RFP process for the operation of the social enterprise component, and staff will come back to Council for approval of any operating grant, if required, once the functional plan and overall budget has been confirmed.

The contributions contemplated in the MOU and summarized above are subject to approval of the transactions and agreements contemplated in the MOU and approval of the related budgets, including the proposed Ground-Lease to BC Housing.

The nominal rent would constitute a capital contribution toward the development in the amount of the fair market value of the lease and will require an approval from Council.

Environmental

Real Estate & Facilities Management is currently investigating the environmental condition of the Property and will prepare a remediation budget for approval by Council. It is anticipated that the funding for the remediation budget will be brought forward as part of the Capital budget process. Staff will seek Council approval of the remediation budget as part of the report seeking approval for the fully-negotiated Ground Lease terms.

CONCLUSION

The City of Vancouver is committed to addressing resident needs and working towards a healthy city for all through innovative and multi-use projects. The General Manager of Arts, Culture & Community Services recommends that Council approve recommendations A, B, C, D, E, & F, which will allow BC Housing to begin the Rezoning process for an integrated Development which addresses priority objectives for the City, including social housing supply, treatment and recovery, and employment through Indigenous healing and wellness, as per Section 5.3 of the MOU.

* * * * *

MEMORANDUM OF UNDERSTANDING

June 28, 2017

Between City of Vancouver (the "City"), British Columbia Housing Management Commission ("BC Housing"), and the Vancouver Coastal Health Authority ("VCH") for a proposed mixed-use development (the "Development") at 1636 Clark Drive and 1321 to 1395 East 1st Avenue.

The purpose of this Memorandum of Understanding (this "MOU") is to set forth the basic business terms and conditions upon which BC Housing, VCH and the City intend to proceed with discussions and negotiations for the construction of the Development described herein. While this MOU does not create binding rights or obligations, the parties wish to confirm their intent to work together in a cooperative and collaborative manner to negotiate and finalize, with all reasonable due diligence and timeliness, the arrangements, transactions and agreements contemplated herein.

1. Background and Description

1.1 The Development would be located on the City-owned lands (the "Lands") along East 1st Avenue between Clark Drive and McLean Drive legally described in Schedule A.

1.2 The proposed Development would have a total floor area of approximately 118,000 sq. ft. and would be comprised of four primary components:

(a) *Community Health Services.*

(i) The proposed Development would be anchored by a new 55,000 sq. ft. VCH Community Health Centre that offers primary care services and withdrawal management treatment. The existing Vancouver Detox Centre located at 377 East 2nd Avenue (leased to the Province of British Columbia and operated by VCH) no longer meets contemporary facility standards and its replacement is a high priority for VCH leadership. The new Community Health Centre will include new and expanded services and will be planned to ensure that facility resources support service provision and the needs of clients and families who seek care at the Community Health Centre. In particular, the Community Health Centre will be designed to meet the cultural and healing needs of the Aboriginal population.

(ii) The Community Health Centre will also accommodate academic teaching and research as well as provide a learning hub to support staff development, knowledge transfer and sharing of leading best practices in withdrawal management care and treatment in British Columbia.

(iii) The Community Health Centre would be operated and funded by VCH.

(b) *Adult Transitional Services.* Complementing the Community Health Centre would be a temporary residential, substance-free setting for adults, funded by health authorities to provide a safe, supportive environment for individuals who are experiencing substance use problems, and requiring short- to medium-term support (from 24 hours to 30 days). Transitional services may include dedicated stabilization beds and/or transition beds, and are provided in

a community residential setting. Stabilization supports would be provided to individuals in post-acute withdrawal from substances, and are offered either with or without medical supervision. Transitional supports would be provided to individuals who may be transitioning into or out of a residential or withdrawal management bed or who are awaiting housing and may not have an adequate plan for continued treatment or an adequate level of support and safe housing while awaiting the transition. The Adult Transitional Services component would also be operated and funded by VCH as part of the Community Health Services program.

- (c) *Social Housing.* Complementing the Community Health Centre would be 60 to 100 units of social housing. Social Housing is defined by the City of Vancouver's policies and bylaws, and at least 30% of the dwelling units must be occupied by households with incomes at or below housing income limits, as set out in the current "Housing Income Limits" table published by the British Columbia Housing Management Commission ("BC Housing"), or equivalent publication; the social housing units must be owned by a non-profit corporation, by a non-profit co-operative association, or by or on behalf of the city, the Province of British Columbia, or Canada; and in respect of which the registered owner or ground lessee of the freehold or leasehold title to the land on which the social housing is situated has granted to the City a section 219 covenant, housing agreement, or other security for the housing commitments required by the City, registered against the freehold or leasehold title, with such priority of registration as the City may require. It is a condition of this MOU that the Social Housing component is included in the Development and BC Housing to be responsible to operate, fund and manage. The City and BC Housing will make every effort to achieve the greatest level of affordability feasibly possible, subject to approval by BC Housing's Executive Committee and BC Housing's Board of Commissioners.
- (d) *Social Enterprise.* Complementing the Social Housing component will be social enterprise space for use by a non-profit organization to hire and support people with barriers to employment. The Social Enterprise component would be constructed on the three westernmost parcels. The Social Enterprise component would be funded and managed by the City of Vancouver or a non-profit organization suitable to the City.

1.3 The approximate area of each component of the Development is proposed to be as follows:

Component	Area
Community Health Services Adult Transitional Services	-55,000 sq. ft. (incl. 20 units)
Social Housing	-60,000 sq. ft. (60-100 units)
Social Enterprise	-3,000 sq. ft.
Total	-118,000 sq. ft.

2. Zoning and Urban Form

- 2.1 The Lands are comprised of a number of legal parcels that are currently zoned under two different zoning districts: I-2 (three westernmost parcels comprising 1636 Clark Drive) and RM-4N (eight parcels to the east comprising 1321 to 1395 East 1st Avenue). The intention is to consolidate the Lands into one parcel and to rezone the consolidated parcel to a site-specific CD-1 district to permit the four-storey mixed-use Development (the "Rezoning").
- 2.2 From an architectural and urban design perspective, the entire site will be considered as a single project to ensure a consistent approach with regard to pedestrian experience, traffic flows, and accessibility, among others. Given the location of the Lands, VCH in conjunction with BC Housing will use its best efforts to ensure that Aboriginal design principles are considered as part of the Development.
- 2.3 It is proposed that BC Housing will initiate and carry out the lot consolidation, land use designation and rezoning application in consultation with the City. The City, in its capacity as owner of the Lands, will cooperate with BC Housing, in its capacity as agent, to bring forward the Rezoning application to Council on the understanding that the City of Vancouver, in its regulatory capacity, will maintain full discretion in determining the conditions of Rezoning and whether all such conditions have been satisfied. BC Housing will be responsible for all costs associated with the Rezoning including, for clarity and without limitation, architects and consultants fees and Rezoning application fees.
- 2.4 Subject to Sections 2.5 and 2.6, BC Housing will be responsible for all costs associated with the design, development and construction of the proposed Development, including architects and consultants fees and Rezoning application fees on approval by BC Housing's Executive Committee.
- 2.5 VCH will make a capital contribution for the incremental cost of the design, development and construction of the Community Health Centre component and the Adult Transitional Services component.
- 2.6 The City will make a capital contribution for the incremental cost of the design, development and construction of the Social Enterprise component.
- 2.7 A preliminary plan of the Lands (outlined in heavy red outline) showing proposed road widening and a table of approximate areas is attached hereto as Schedule B.

3. Other Matters

- 3.1 *City of Vancouver Regional Context Statement Official Development Plan.* It appears that the three westernmost parcels are within the Industrial Regional Designation delineated under the City of Vancouver Regional Context Statement Official Development Plan (the "RCS"). The RCS protects industrial lands within the City of Vancouver and calls for the exclusion of uses that are inconsistent with the intent of industrial areas (such as residential uses). There is a procedure for re-designating land from one regional land use designation (i.e., industrial) to another regional land use designation provided that the aggregate area of all proximate sites so re-designated does not exceed one hectare (the three westernmost parcels do not exceed one hectare) but the process of achieving this must be explored further. While it is proposed that the Social Enterprise component of the Development would not be

inconsistent with the RCS in respect of industrial use, some clarity will be needed in this regard and the parties will work together, in good faith, to determine whether the proposed uses of the Lands will be permitted under the RCS or whether the three westernmost parcels can be re-designated as contemplated under the RCS.

3.2 *Rental Housing Stock Official Development Plan and Tenant Relocation and Protection Policy and Guidelines.*

(a) The City of Vancouver's Rental Housing Stock Official Development Plan and Tenant Relocation and Protection Policy and associated Guidelines (collectively, the "Rental Housing Policies") will apply in respect of any of the parcels comprising of Lands currently in the RM-4N zoning district which are used as "primary" rental stock. The Rental Housing Policies provide for, *inter alia*:

- (i) the provision of one-for-one replacement of the 17 existing rental units on site;
- (ii) the preparation of a tenant relocation plan;
- (iii) compensation to be paid to existing tenants of "primary" rental stock;
- (iv) minimum notice provisions for termination of tenancy agreements;
- (v) compensation for moving expenses;
- (vi) the provision of assistance to identify alternative accommodations;
- (vii) that projects such as this one where rental units are being replaced with social housing, tenants will be offered right of refusal, provided they meet the eligibility requirements for the new social housing; and
- (viii) additional support for special circumstances including:
 - (A) additional financial compensation or support, such as partnering with health organizations and other non-profit services, may be requested for vulnerable tenants (e.g. seniors, persons with disabilities, tenants with low income, mental health issues, etc); and
 - (B) additional support for special circumstances to include identifying at least one alternate accommodation option within 10% of the tenant's current rent, if the tenant has a low income and is paying significantly lower than CMHC average rent for the area.

(b) The City will be responsible at their own cost for ensuring compliance with Sections 3.2(a)(ii) to (vi) and (viii), inclusive, and BC Housing will be responsible for ensuring compliance with the Sections 3.2(a)(i), and (vii)

4. Tenure

4.1 Once the Lands are consolidated, RCS designations have been addressed and subject to Rezoning bylaw enactment, it is intended that the City will lease the consolidated parcel to BC Housing under a long-term ground lease (the "Ground Lease") to enable BC Housing to carry out the construction of the Development. The term of the Ground

Lease will be of sufficient length to enable a 99-year lease of the Development after issuance of an occupancy permit for the Development. The Ground Lease must ensure compliance with the Rental Housing Policies in respect of, *inter alia*, rights of first refusal to the existing tenants of "primary" rental stock. The City will seek Vancouver City Council approval for a grant in an amount equal to the fair market value of the Ground Lease, such that rent for the Ground Lease will be nominal.

- 4.2 Upon completion of construction of the Development, BC Housing will:
- (a) subject to Section 5.1, grant a sublease (the "VCH Sublease") of the Community Health Centre component and the Adult Transitional Services component of the Development to VCH for a term of 99 years less one day;
 - (b) grant a sublease (the "City Sublease") of the Social Enterprise component of the Development to the City for a term of 99 years less one day; and
 - (c) continue its lease of the Social Housing component for a term of 99 years.

5. Next Steps

- 5.1 The City will discuss the surrender of the existing Detox Centre lease (the "Detox Centre Lease") at 377 East 2nd Avenue (the "Detox Centre Lands") with the Province of British Columbia (the "Province"), it being a condition of this MOU and the transactions contemplated herein that, within 30 days after the parties have entered into this MOU, the City receive confirmation in writing that the Province will surrender the Detox Centre Lease and all rights thereunder and that VCH will surrender its interest in the Detox Centre Lands, including any rights granted to it under the Voluntary Accommodation Agreement (Agreement #112990) dated May 2, 2011 and the Lease (CL112990) dated April 5, 2017 within six months after the issuance of an occupancy permit for the Development (provided that the effective date of surrender may be adjusted as required to minimize disruption to VCH service delivery during VCH's relocation from the Detox Centre Lands to the Development) and the Province will deliver the Detox Centre Lands to the City in accordance with the terms and conditions of the Detox Centre Lease.
- 5.2 The parties will determine funding requirements and will prepare a preliminary budget showing the parties' respective funding obligations. Once the preliminary budget has been approved by the parties, this MOU and the preliminary budget (*Note: Class to be determined*) will be presented to Vancouver City Council for approval of this MOU and the preliminary budget.
- 5.3 If Vancouver City Council approves this MOU, the preliminary budget and the grant for the Ground Lease rent, BC Housing will commence the Rezoning process in consultation with the City. It is anticipated that, in addition to any other requirements of the City of Vancouver, in its regulatory capacity, the following will be conditions of Rezoning bylaw enactment:
- (a) the consolidation of the Lands;
 - (b) resolution of the potential RCS issue;
 - (c) compliance with the Rental Housing Policies;
 - (d) settling the terms of the Ground Lease for Vancouver City Council approval;

- (e) settling the terms of the VCH Sublease for Vancouver City Council approval;
 - (f) settling the terms of the City Sublease for Vancouver City Council approval; and
 - (g) settling the terms of a development agreement (the "Development Agreement") setting out the rights and obligations of the parties in respect of the construction and use of the Development for Vancouver City Council approval.
- 5.4 Once the conditions of Rezoning bylaw enactment are prescribed by Vancouver City Council, the City, BC Housing and VCH will negotiate and settle the terms of the Ground Lease, the VCH Sublease, the City Sublease and the Development Agreement for approval by Vancouver City Council prior to Rezoning bylaw enactment.
- 5.5 Subject to satisfaction of all conditions of Rezoning bylaw enactment and enactment of the Rezoning bylaw, the City and BC Housing will:
- (a) enter into the Ground Lease with the City; and
 - (b) enter into the Development Agreement.
- 5.6 The City will be responsible for the cost of removal of any "waste" (as defined in the *Environmental Management Act*) discovered during the excavation of the Lands.
- 5.7 Upon completion of construction of the Development:
- (a) BC Housing and VCH will enter into the VCH Sublease; and
 - (b) BC Housing and the City will enter into the City Sublease.
- 5.8 For clarity, the VCH Sublease may not be granted by BC Housing until the Detox Centre Lease has been surrendered by the Province and VCH has surrendered its interest in the Detox Centre Lands.
- 5.9 The City, BC Housing and VCH will hold prompt and regular meetings with the respective and appropriate approval personnel to ensure that the Development and the Rezoning progresses in a timely manner and the parties will cooperate in the Rezoning process with a view to Rezoning bylaw enactment.
- 6. Termination of MOU**
- 6.1 The parties acknowledge that it is a condition of this MOU that the Social Housing component form part of the Development. If a Social Housing component is not included in the Development or if BC Housing does not operate, fund and manage the Social Housing component, this MOU and any other agreements arising from or contemplated under this MOU and all rights and obligations hereunder or thereunder will terminate.
- 6.2 In addition to the foregoing, this MOU and any other agreements arising from or contemplated under this MOU and all rights and obligations hereunder or thereunder will terminate if:
- (a) the condition set out in Section 5.1 is not satisfied within 30 days of execution of this MOU;

- (b) BC Housing has not applied for the Rezoning application within two years of the date hereof; or
- (c) Vancouver City Council does not approve the Rezoning in principle following a public hearing; or
- (d) BC Housing does not satisfy the conditions of Rezoning bylaw enactment within two years of approval in principle of the Rezoning; or
- (e) BC Housing does not apply for a development permit for the Development within 1 year of enactment of the Rezoning by-law; or
- (f) BC Housing does not apply for a building permit to construct the Development within two years of enactment of the Rezoning bylaw.
- (g) Should the project not proceed for reasons such as the rezoning not being approved, partners will meet to contemplate options for pre-development costs incurred to date

7. Nature of MOU

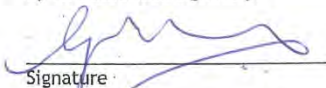
- 7.1 The intent of this MOU is to set out the key terms and conditions (the "Key Terms") to be incorporated into the Ground Lease, the VCH Sublease, the City Sublease, the Development Agreement and any other agreement contemplated herein or required to carry out the Development (collectively, the "Agreements").
- 7.2 No legal rights or obligations will arise or be created by the tabling and discussion of this MOU or any amendments to it unless and until Vancouver City Council has approved this MOU, approved the Agreements and enacted the Rezoning bylaw and the City, VCH and BC Housing have executed the Agreements, as applicable, in accordance with the Key Terms as set out herein and otherwise on terms and conditions satisfactory to the General Manager of Community Services, the General Manager of Planning, Urban Design and Sustainability, the General Manager of Real Estate and Facilities Management and the Director of Legal Services.
- 7.3 For clarity, preliminary approval of this MOU and the preliminary budget by Vancouver City Council will not be deemed to be preliminary approval or approval in principal of the Rezoning or approval of any Agreements, all of which will be subject to further Vancouver City Council approval in its unfettered discretion. The parties acknowledge that the City is a party to this MOU in its capacity as the owner of the Lands and not in its regulatory capacity.
- 7.4 This MOU and any other agreements arising from or contemplated under this MOU and all rights and obligations of VCH may be subject to approvals by VCH's senior executives and board of directors and, if applicable, the Ministry of Health.

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7.5 This MOU and any other agreements arising from or contemplated under this MOU and all rights and obligations of BC Housing will be subject to approvals by BC Housing's Executive Committee and Board of Commissioners.

21 day of DECEMBER, 2017.

City of Vancouver
by its authorized signatory:


Signature


GRACEN CHUNGATH
DIRECTOR, OPERATIONS PLANNING &
NAME AND TITLE: PROGRAM MGT, COMMUNITY
ON BEHALF OF GM, COMMUNITY SERVICES

Vancouver Coastal Health Authority
by its authorized signatories:


Signature

Laura Case, Chief Operating Officer,
Vancouver Community

British Columbia Housing Management
Commission
by its authorized signatory:

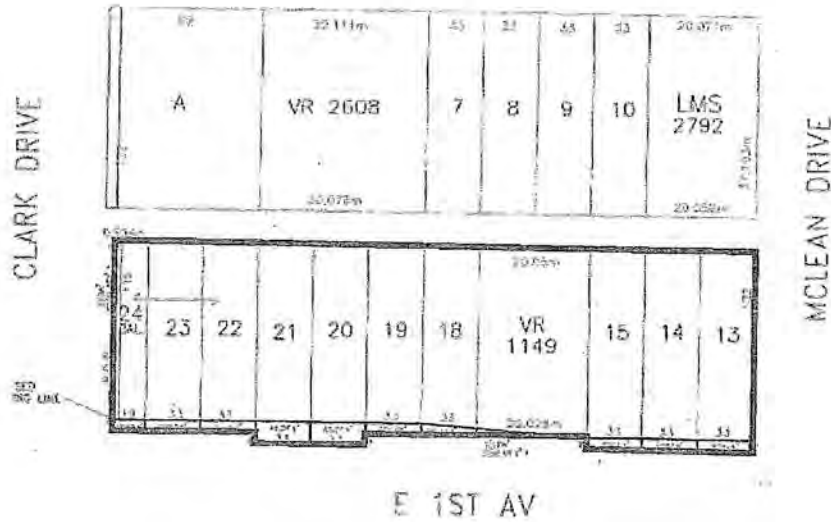

Signature

Michael G. Flanigan
Vice President
Development & Asset Strategies
Name and Title

SCHEDULE A
LEGAL DESCRIPTION OF LANDS

1. Parcel Identifier: 013-004-638, Lot 24, Except (A) Part in Plan 4123 and (B) Part in Explanatory Plan 17378 Block 60 District Lot 264A Plans 383 and 1771
2. Parcel Identifier: 013-004-590, Lot 23, Except Part in Explanatory Plan 17378, Block 60 District Lot 264A Plans 383 and 1771
3. Parcel Identifier: 013-004-581, Lot 22, Except Part in Explanatory Plan 17378, Block 60 District Lot 264A Plans 383 and 1771
4. Parcel Identifier: 006-747-884, Lot 21 Block 60 District Lot 264A Plan 383 and 1771
5. Parcel Identifier: 013-359-932, Lot 20 Block 60 District Lot 264A Plan 383 and 1771
6. Parcel Identifier: 015-327-345, Lot 19, Except the South 7 Feet Now Road, Block 60 District Lot 264A Plan 383 and 1771
7. Parcel Identifier: 015-327-337, Lot 18, Except the South 7 Feet Now Road, Block 60 District Lot 264A Plan 383 and 1771
8. The Common Property of Strata Plan VAS1149 and Strata Lots 1 to 13 District Lot 264A Strata Plan VR. 1149
9. Parcel Identifier: 015-213-552, Lot 15 Block 60 District Lot 264A Plan 383 and 1771
10. Parcel Identifier: 015-327-329, Lot 14 Block 60 District Lot 264A Plan 383 and 1771
11. Parcel Identifier: 012-694-029, Lot 13 Block 60 District Lot 264A Plan 383 and 1771

SCHEDULE B
PRELIMINARY PLAN AND TABLE OF APPROXIMATE AREAS



APPROXIMATE AREAS		
Address	Lot Dimensions	Lot Area *
1636 Clark Drive (Lot 24)	19' frontage x 115' depth	9,725 sq. ft. *
1636 Clark Drive (Lot 23)	33' frontage x 115' depth	
1636 Clark Drive (Lot 22)	33' frontage x 115' depth	
1321 East 1st Avenue (Lot 21)	33' frontage x 122' depth	4,026 sq. ft. *
1327 East 1st Avenue (Lot 20)	33' frontage x 122' depth	4,026 sq. ft. *
1335 East 1st Avenue (Lot 19)	33' frontage x 115' depth	3,770 sq. ft. *
1341 East 1st Avenue (Lot 18)	33' frontage x 115' depth	3,779 sq. ft. *
1353 East 1st Avenue (VR 1149)	65.7' frontage x 115' depth	7,551 sq. ft. *
1379 East 1st Avenue (Lot 15)	33' frontage x 122' depth	4,026 sq. ft. *
1387 East 1st Avenue (Lot 14)	33' frontage x 122' depth	4,026 sq. ft. *
1395 East 1st Avenue (Lot 13)	33' frontage x 122' depth	4,026 sq. ft. *
Assembled	296.7' frontage x 111' depth *	42,629 sq. ft. *

* After road dedications (approximate)