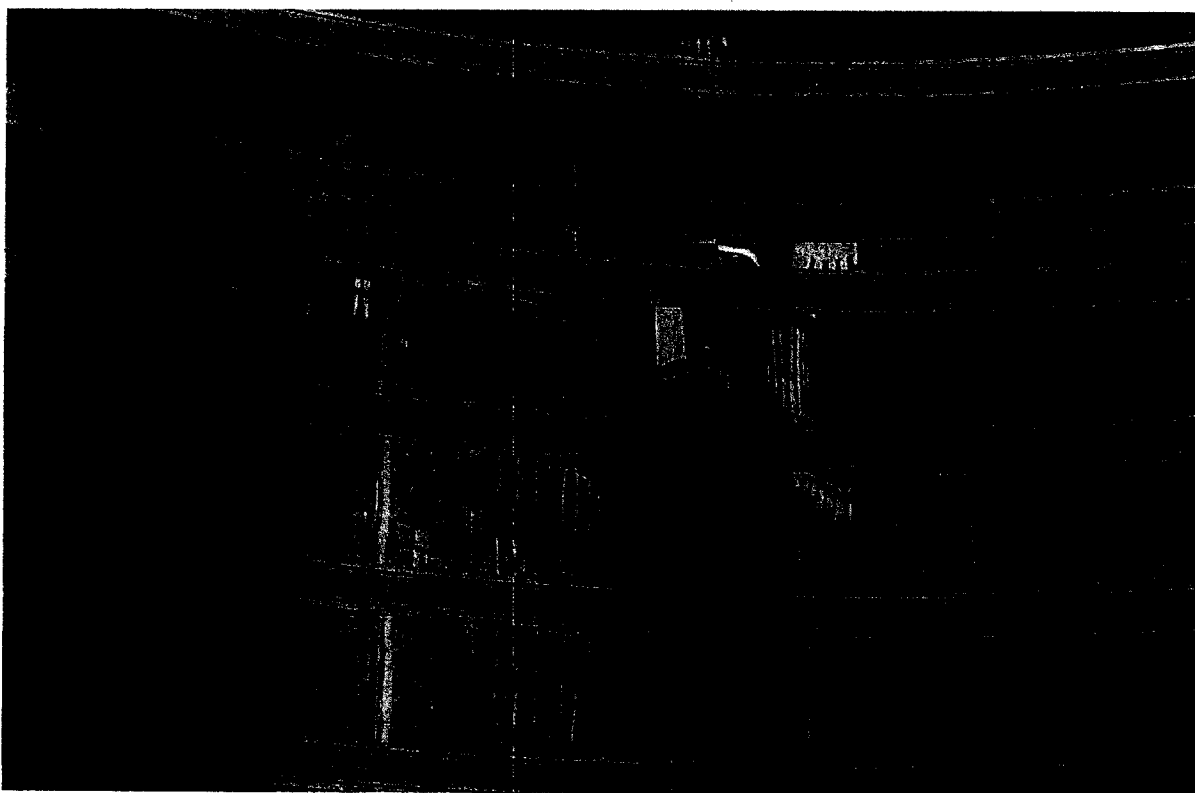


SRO Conversion/Demolition Update for Downtown Vancouver, 2001-2015

Final Report to
City of Vancouver

June 2003

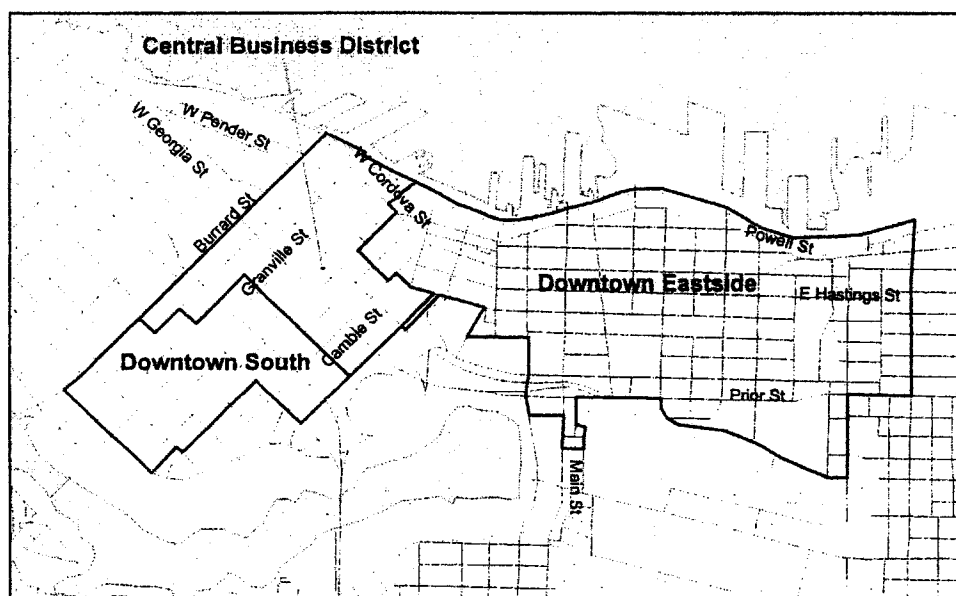


1. Executive Summary

1.1 Introduction

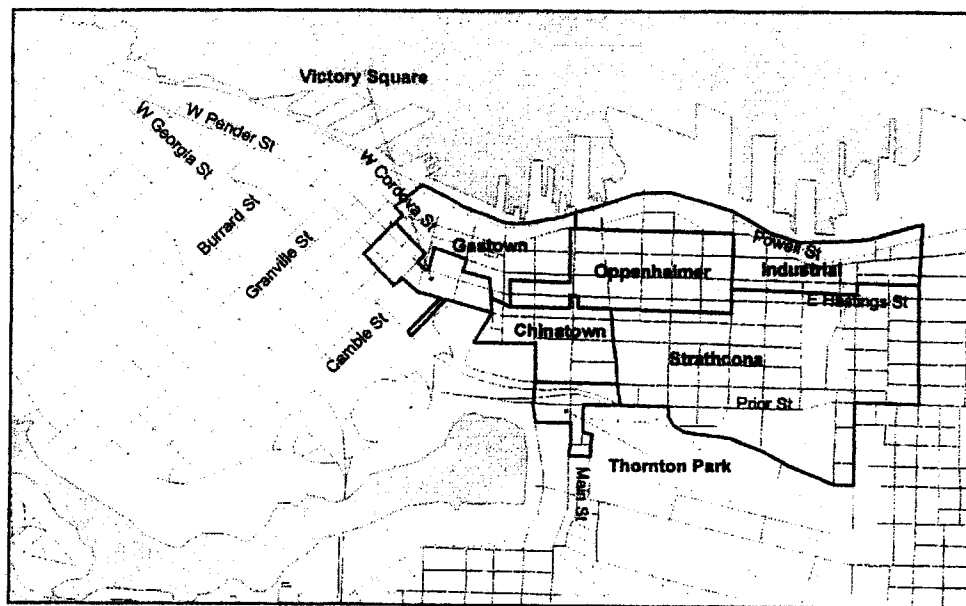
Single Room Occupancy (“SRO”) housing in Vancouver fills a gap in the housing spectrum. It provides affordable housing to low-income people, especially those on social assistance or disability pensions. Since 1970, however, 6,685 SRO rooms have been lost to conversions, redevelopment, and closures due to fires and health and safety reasons. The development of 5,895 new social housing units in the Study Area has partially compensated for this loss. However, given the limited funds available to build new social housing and on-going development in Downtown, the City of Vancouver (the “City”) is concerned that it may not be possible to provide sufficient social housing in the future if the rate of SRO losses continues. As a result, the City wants a better understanding of the number of SROs that could be lost to redevelopment or conversions to other uses such as condominium apartments, hostels and budget hotels.

Exhibit: Study Area Subareas



Source: City of Vancouver

Exhibit: Downtown Eastside Neighbourhoods



Source: City of Vancouver

1.2 Purpose & Overview of Study

The City of Vancouver retained *PricewaterhouseCoopers LLP* to advise it on the market and financial factors affecting SRO demolitions and conversions in the Study Area over the next 10-15 years. Specifically, we have:

- examined the market demand for condominium apartments, tourist accommodation (especially hostels and budget hotels) and student housing;
- determined the “optimum use”, including the existing use, of each SRO from a financial perspective, based upon a high level analysis taking into account the market demand; and
- estimated the effects that a SRO demolition/conversion fee would have on controlling the loss of SROs.

Caveat

This report utilizes assumptions previously reported and agreed to with the City of Vancouver, in the report “SRO Conversion/Demolition Study for Downtown Vancouver, 1998-2011” produced by Colliers International Realty Advisors Inc. in July 1999.

Our high level review of the existing inventory of SROs and their expected use over the next fifteen years is based upon a number of assumptions and estimates to provide directional forecasts. Practically, the ultimate decision on the use of each SRO will depend upon its specific circumstances, including its value,

and the motivations of, and options available, to its owner. Actual property values and decisions by SRO owners may be different from the estimates and forecasts contained in this report.

Finally, we have not considered the effect upon the SRO inventory if Vancouver-Whistler is awarded the 2010 Winter Olympics, noting that the City should investigate it in this event.

1.3 Existing Inventory of SROs

- The SRO inventory in the Study Area of Downtown Vancouver consisted of 153 properties, totaling 6,471 rooms, at the end of 2001;
- 80% of the SRO rooms are located in the Downtown Eastside, followed distantly by Downtown South (13%) and the Central Business District-CBD (7%);
- Only 14% of the SRO rooms are thought to be in good condition, with the balance requiring major (24%) or cosmetic repairs (50%) or their condition is unknown (12%).

1.4 Historic Loss of SROs & Increase in Non-market Housing

Table: Loss of SROs, 1970-2001 (rooms)

Loss Summary	Total	Average Per Year
Since 1970	(6,685)	(216)
Last 10 Years, 1991-2001	(1,524)	(145)
Last 5 Years, 1997-2001	(1,088)	(212)

Source: City of Vancouver

- Between 1970 and 2001, the Study Area lost 6,685 SRO rooms due to closures by the City, fires, and redevelopment or conversion;
- Over the past five years (1997-2001), the loss of SROs has averaged 212 rooms/year, which is higher than the average over the past ten years (1991-2001) of 145 rooms/year. However, most of the loss between 1997 and 2001 occurred in 1997 (427 rooms) and 1998 (317 rooms). These losses decreased in 1999-2000, averaging 163 rooms annually. A small gain occurred in 2001 (11 rooms);
- Between 1970 and 2001, a total of 4,656 non-market housing single units were developed in the Study Area, according to the City of Vancouver.

1.5 Forecast Loss of SROs, 2001-2015

- We estimate that 1,123 SRO rooms would likely be lost to economically viable conversions and demolitions by 2015:

- * 518 (46%) SRO rooms to redevelopment to condominium apartments;
 - * 556 (50%) SRO rooms to conversions to hostels;
 - * 49 (4%) SRO rooms to conversions to budget hotels.
- We estimate that 31% of the conversions or redevelopments would occur in Gastown, followed by 22% in the CBD and 16% in Thornton Park;
 - In addition, the City estimates that about 266 SRO rooms will likely be lost due to fires, as well as another 200 to 400 rooms due to health and safety enforcement;
 - Based upon these estimates, the total loss would be 1,589-1,789 SRO rooms, an average of 114-128 SRO rooms per year, as shown in the table below.

Table: Forecast Loss of SROs 2001-2015, by Subarea

Economically Viable Conversions & Demolitions					
Gastown	171	132	49	352	31%
Downtown South	174	-	-	174	15%
CBD	80	166	-	246	22%
Thornton Park	75	102	-	177	16%
Oppenheimer	9	156	-	165	15%
Victory Square	-	-	-	-	0%
East False Creek	-	-	-	-	0%
Chinatown	-	-	-	-	0%
Industrial	-	-	-	-	0%
Strathcona	9	-	-	9	1%
Subtotal	518	556	49	1,123	
% Total	46%	50%	4%	100%	
Other Losses					
Fires				266	
Health & Safety				200-400	
Subtotal				466-666	
TOTAL				1,589-1,789	

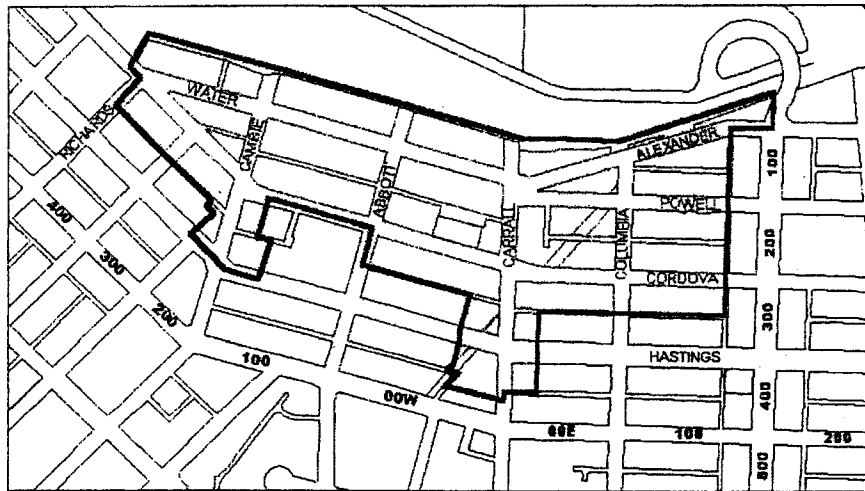
Source: PricewaterhouseCoopers LLP

1.6 Current Strategies to Manage the Loss of SROs

A number of different strategies have been considered to help manage the loss of SROs including a Heritage Management Plan for Gastown and implementation of a possible conversion/demolition fee.

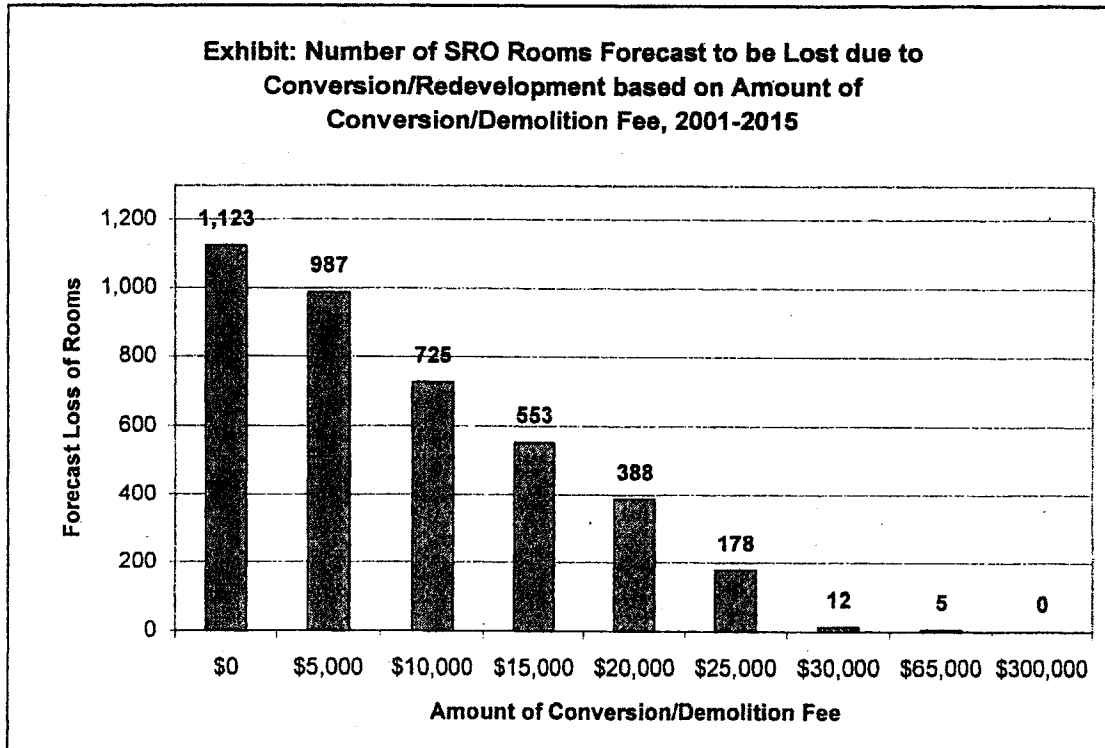
The Heritage Management Plan would be used as a tool to control the loss of SROs through the use of incentives to promote building rehabilitation within a designated conservation area (see next exhibit).

Exhibit: Gastown Heritage – Conservation Area



Source: City of Vancouver

A SRO conversion/demolition fee would be a tool to control the loss of SROs due to economically viable conversion/demolitions. For example, as can be seen in the table below, setting the fee at \$10,000/SRO room is estimated to reduce the loss of SROs due to conversions or redevelopment to approximately 725 SRO rooms by 2015, or about 65% of the loss that would occur without a fee.



Source: PricewaterhouseCoopers LLP

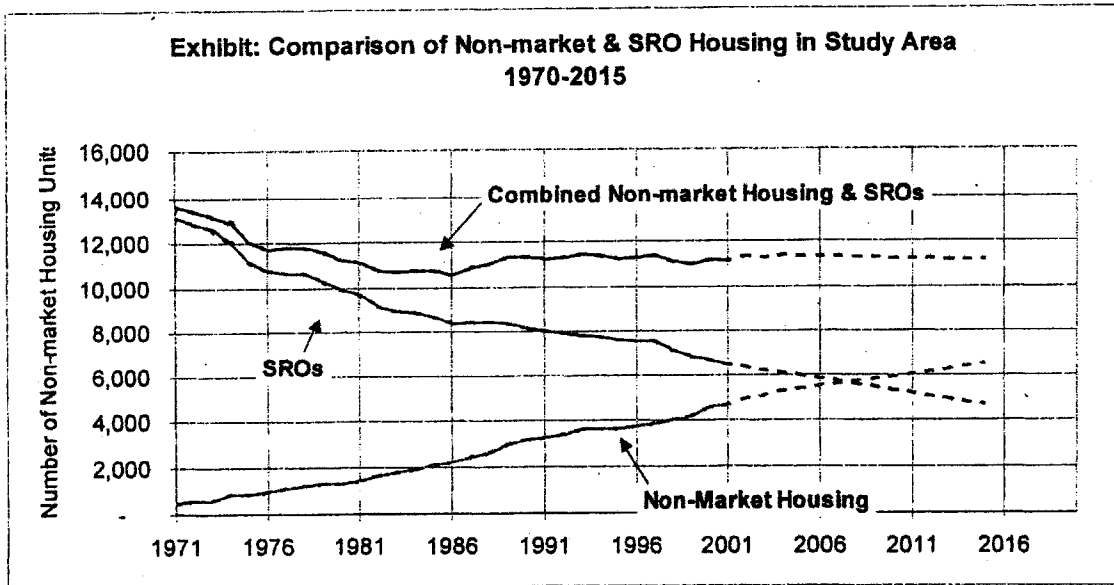
Table: Number of SROs Lost as Conversion/Demolition Fee Increases

\$/SRO room	Conversion Fee			Demolition Fee			Conversion + Demolition Fee			Total		
	SROs	Rooms	%	SROs	Rooms	%	SROs	Rooms	%	SROs	Rooms	%
\$ -	18	518	100%	5	556	100%	1	49	100%	24	1,123	100%
\$ 5,000	14	382	74%	5	556	100%	1	49	100%	20	987	88%
\$ 10,000	7	169	33%	5	556	100%	-	-	0%	12	725	65%
\$ 15,000	5	129	25%	4	424	76%	-	-	0%	9	553	49%
\$ 20,000	4	120	23%	2	268	48%	-	-	0%	6	388	35%
\$ 25,000	2	12	2%	1	166	30%	-	-	0%	3	178	16%
\$ 30,000	2	12	2%	-	-	0%	-	-	0%	2	12	1%
\$ 65,000	1	5	1%	-	-	0%	-	-	0%	1	5	0%
\$ 300,000	-	-	0%	-	-	0%	-	-	0%	-	-	0%

Source: PricewaterhouseCoopers LLP

If the City decides to implement a SRO conversion/demolition fee, it will need to consider whether or not the fee should apply across the board or be more targeted. For example, the City should consider whether the fee should apply in cases where a closure is justified for health and safety reasons. As another example, the City may want to consider whether or not to retain SROs in the long term in the sections of Granville Street in Downtown South and Water Street in Gastown that are targeted for tourism or entertainment.

The impact of the maximum projected loss of 1,789 SRO rooms between 2001 and 2015 will depend upon the level of replacement, which is uncertain, of non-market housing for singles. A total of 632 singles are currently under construction or have funding approval. However, the provincial non-market housing program has been changed. If additional funding is not available in the future, the low-income stock for singles (SROs plus non-market) would shrink over the period by about 80 units a year or 1,120 by the end of 2015. If the City attains its target for the Downtown Core of 130 or more non-market singles per year, as described in its draft Housing Plan, then the low-income stock would remain stable over the period. Ultimately, as the next exhibit shows, the combined inventory of SROs and non-market housing is forecast to increase marginally from 11,116 rooms in 2001 to approximately 11,146 rooms in 2015.



Source: City of Vancouver, PricewaterhouseCoopers LLP