



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: July 4, 2006
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VanRIMS No.: 02-3000-10
Meeting Date: July 18, 2006

TO: Vancouver City Council

FROM: Director of the Housing Centre, in consultation with the Director of Financial Planning & Treasury

SUBJECT: Lease and Grant Requests for 1321 Richards Street (Social Housing Project)

RECOMMENDATION

- A. THAT Council approve a 60-year ground lease to the Granville Mennonite Housing Society for the PEF-owned property at 1321 Richards Street with a nominal prepaid lease;
- B. THAT Council approve grants in the following amounts, with the source of funds to be the Community Amenity Contribution from 811 Cambie Street and the Downtown South DCL fund for replacement housing:
 1. A grant of \$1,106,250 plus applicable taxes equal to the prepaid rent to be paid to the PEF within 90 days of substantial completion of the project (75% of the 1997 purchase price);
 2. A further grant of \$3,525,000 towards construction costs, site remediation and other costs associated with this social housing project;

THAT the lease and grants be contingent on project funding commitments from the Province of B.C., the Vancouver Coastal Health Authority and the Vancouver Agreement, as laid out in the attached Memorandum of Understanding (Appendix A).

The grant requests B.1 and B.2 require 8 affirmative votes of Council.

- C. THAT no legal rights of obligations are hereby created and none shall arise hereafter except upon execution of all legal documents required to complete these transactions to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services RECOMMENDS approval of the foregoing.

COUNCIL POLICY

The City purchases sites at market value for non-market housing and leases these sites to non-profit housing societies and co-operative associations for 60 years and considers the value of a 60 year lease to be 75% of freehold market.

Council provides capital grants for non-market housing through the Affordable Housing Fund and DCL funds. Grants require the approval of 8 votes of Council.

In February 2002, Council approved recommendations pertaining to 1321 Richards Street which included a 60-year ground lease to the Mennonite Central Committee. Funding for that housing program was cancelled and the project did not proceed.

SUMMARY AND PURPOSE

This report seeks Council approval of:

- A 60-year ground lease to the Granville Mennonite Housing Society; and
- Grants totalling \$4,631,250 towards the lease and capital construction of the housing project at 1321 Richards Street.

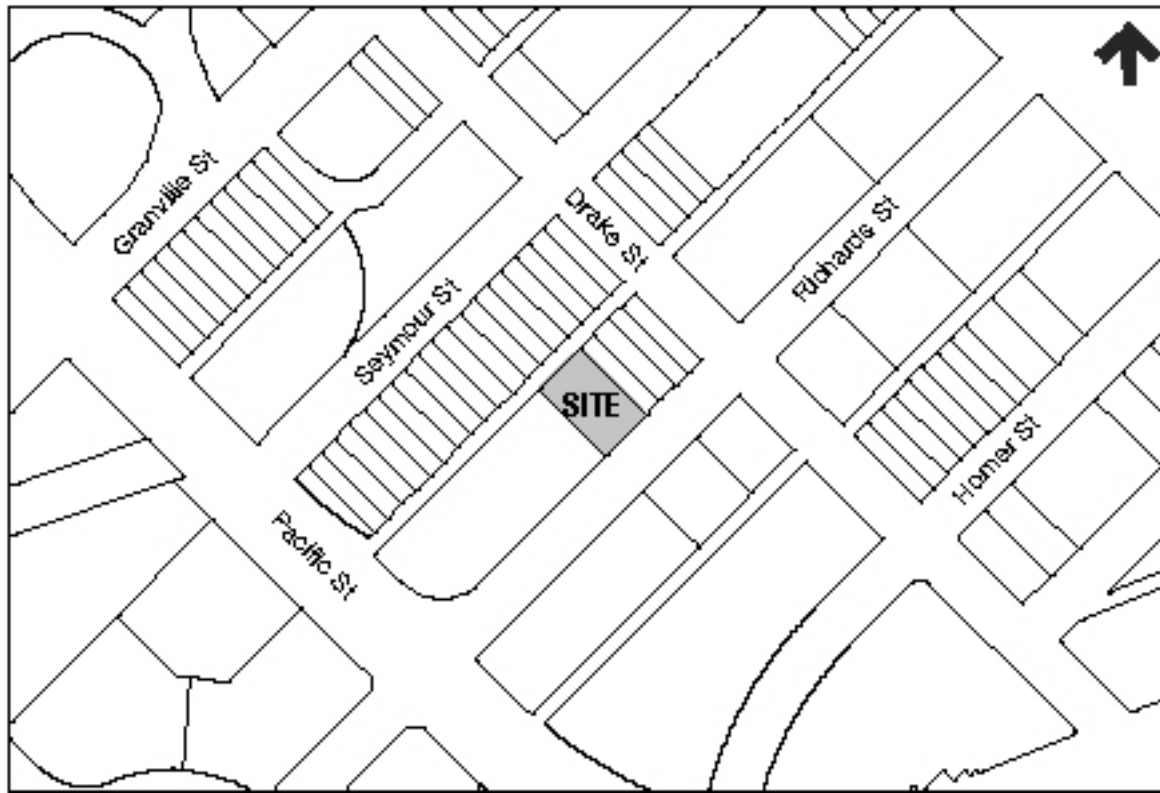
Council had previously endorsed the lease of the site to the same society in 2002; however, cancellation of the program funding led to cancellation of the project at the time. Identification of five sources of funding, including capital funding from City sources, has prompted staff to bring the project forward again for Council's approval.

BACKGROUND

The Site: The site has a frontage on Richards Street of 22.9 m (75 ft.), a depth of 36.6 m (120 ft), and a total area of 836.1 m² (9,000 ft.²). It is zoned Downtown District Official Development Plan which allows 4 180.5 m² (45,000 ft.²) (5 FSR) of residential floor space. The site is currently occupied by a small commercial building that has been used as a temporary winder shelter pending redevelopment of the site.

Acquisition: In 1997, Council approved the acquisition of 1321 Richards Street at a cost of \$1,475,000 for non-market housing, for the development of non-market housing to replace single room accommodations (SROs) in the Downtown South area. The location of the site is shown in Figure 1 on the following page.

Figure 1:



Proposed Project: The development proposal features a 12 storey building with 87 dwelling units, with an average size of 30.7 m² (330 ft.²) and a total floor area of 4 380.2 m² (47,150 ft.²). The ground floor will accommodate the amenity spaces for residents, resident manager office space and covered parking and service areas.

A Development Permit (DE406078) was approved by the Development Permit Board on October 29, 2001. The approval was subject to Council approval of additional bonus density for low income housing over the 4 180.5 m² (45,000 ft.²) allowed by the zoning.

Council approved the additional density on February 7, 2002, along with a ground lease for 60 years and costs associated with soil remediation. The structure of the housing development was somewhat different at the time, as the Mennonite Central Committee was partnered at the time with the Wings Housing Society, who is not involved with the current project. The project did not proceed due to cancellation of the provincial/federal funding programs. Council motions from February 2002 are attached as Appendix B to this report.

The development application has been renewed on an annual basis and is still valid. The architects for the original application (Neale Staniskis Doll Adams) will be retained by as the project's architect.

Occupancy of the project will be divided into two groups:

- 30 units on the 2nd through 4th floors will be singles referred by VCHA in active recovery from previous alcohol or drug use. Units will be filled through the VCHA’s centralized addiction access service. Individuals will have been alcohol and drug free for a minimum of 90 days and will be actively committed to a recovery lifestyle and ongoing treatment. Occupancy of the units will be conditional on the remaining alcohol and drug free and being actively involved in addiction treatment;

If an individual does not remain drug and alcohol free, VCHA and the housing sponsor, the Granville Mennonite Housing Society (GMHS) will intervene to support the individual to regain an alcohol and drug free status and maintain their housing. If drug or alcohol use continues, the GMHS will advise VCHA staff and the tenant will be given a 48-hour eviction notice. VCHA will relocate the individual to an appropriate alternate housing option or treatment facility.

- The remaining 57 units on floors five through 12 would be occupied by singles from SROs in the Downtown South who would be selected by the GMHS. All tenants will enter into initial five month occupancy agreements, with long term tenancy being the objective. GMHS will include a range of tenant support services on a voluntary basis. This could include life-skill training in housekeeping, shopping, laundry and personal banking. As well, there will be support to link to community activities, educational options and vocational training.

There will be no addiction or treatment services or programs provided to tenants on site.

Schedule: Timing for the project is as follows:

- Report to City Council July 2006
- Submission of building permit August 2006
- Project Tendering Fall 2006
- Project Commitment November 2006
- Construction Start January 2007
- Completion Summer 2008

Lease: For BC Housing-approved social housing projects, the City is committed to a standard form of lease. The term of the lease will be 60 years, at a nominal rate. GMHS will be responsible for all taxes, including property taxes, utilities, insurance, maintenance and upkeep.

The Property Endowment Fund (PEF) is to be reimbursed for the foregone ground rent of \$1,106,250 through a transfer from the Downtown South Development Levy Reserve.

Tenant Incomes and Rents: All individuals living in the development must meet identified income qualifications to qualify to move in.

All individuals receiving BC Employment Assistance will pay the shelter component of welfare as rent. All other tenants will pay 30% of their gross household income on rent or the market rent for their unit which ever is less.

DISCUSSION

At this time there is limited senior government funding for social housing to replace SROs in the Downtown South. Funding for this project is being provided from several partners including the City, Vancouver Coastal Health Authority, the Vancouver Agreement and BC Housing and this partnership presents a unique opportunity to achieve Council's one-for-one replacement policy for Downtown South low income housing.

FINANCIAL IMPLICATIONS

The total capital cost of the project (land, construction and soft costs) is estimated to be \$15,452,750 (approximately \$177,618/unit). The intent is to minimize and, if possible, avoid any debt financing for the project to maximize affordability.

Overall development funding will be provided as follows.

Table 1: Participants and Contributions

Participant	Contribution
City of Vancouver	\$ 1,475,000 [land]* \$ 3,525,000 [construction costs]
BC Housing	\$ 4,882,750 [construction costs]
Vancouver Agreement	\$ 2,725,000 [construction costs]
Vanc. Coastal Health Auth.	\$ 2,100,000 [construction costs]
BC Min. of Employment	\$ 745,000 [construction costs]
Total Contributions	\$15,452,750

* 25% of the value retained by the PEF (\$368,750) in recognition that site returns to City at end of lease.

The capital budget for the development (\$177,618 per unit) should be sufficient to cover all costs. However, if the construction price exceeds the capital funding available, the partners may consider reducing the scope of the development, contributing additional capital funding or cancelling the development.

The general objective for this development is to maximize the number of the units occupied by individuals whose maximum household incomes are at core need levels or who cannot pay rents greater than the shelter component of income assistance.

The capital investment shown in Table 1 is intended to allow the development to be operated mortgage free. Rents are expected to cover all the costs of operating the building. The operating budget for initial year is estimated to be \$437,423.

CONCLUSION

Approval of this project is consistent with objectives of Council's long standing policy to replace existing single room occupancy in the Downtown South area on a one for one basis, without a commensurate loss of existing stock.

The Director of the Housing Centre recommends that Council support this housing initiative with support of grants for both the lease and construction totalling \$4.63 million.

* * * * *

MEMORANDUM of UNDERSTANDING

between

BC Housing Management Commission (BC Housing),
Vancouver Coastal Health Authority (VCHA),
the City of Vancouver (the City) and
Granville Mennonite Housing Society (the Sponsor),
regarding the development of 1321 Richards St., and
dated for reference July 4, 2006

The Site

1321 Richards St. - Lot E, Block 114, DL 541, Plan LMP49246 - (the Site) was purchased by the City of Vancouver in 1997 at a cost of \$1,475,000 for the development of non-market housing to replace single room accommodations (SROs) in the Downtown South area. It has a frontage on Richards Street of 22.9 m (75 ft.), a depth of 36.6 m (120 ft), and a total area of 836.1 m² (9,000 ft.²). It is zoned Downtown District Official Development Plan which allows 4 180.5 m² (45,000 ft.²) (5 FSR) of residential floor space.

The Project

It is proposed to develop the Site with a building consisting of 87 small units which would accommodate low income singles (the Project). 30 units would be occupied by singles referred by VCHA in active recovery from previous alcohol or drug use. Occupancy of the units would be conditional on the tenants in these units (the VCHA Units) remaining alcohol and drug free and being actively involved in addiction management program. The remaining 57 units would be occupied by singles from SROs in the Downtown South who would be selected by the Sponsor. All tenants will enter into initial 5 month occupancy agreements, with long term rental opportunity being the objective.

It is anticipated that the Sponsor will undertake a range of value-added tenant supports on a voluntary basis. This could life-skill training in housekeeping, shopping, laundry and personal banking. As well, there will be support to link to community activities, educational options and vocational training. There will be no addiction or treatment services or programs provided to tenants on site.

Lease

The term of the lease will be 60 years, at a nominal prepaid rent. The Sponsor will be responsible for all taxes, including property taxes, utilities, insurance, maintenance and upkeep.

Development Permit

A Development Permit (DE406078) was approved by the Development Permit Board (DP Board) on October 29, 2001 for 87 units, averaging 30.7 m² (330 ft.²) and a total floor area of 4 380.2 m² (47,150 ft.²). The DP Board approval was subject to Council approval of additional bonus density for low income housing over the 4 180.5 m² (45,000 ft.²) allowed by the zoning. Council approved the additional density on February 7, 2002. The project proposed at that time did not proceed due to cancellation of program funding.

It is proposed that the Project be developed in accordance with DE406078, which has been renewed on an annual basis and is still valid. The architects for the previous proposal (Neale Staniskis Doll Adams) will be retained by the Sponsor as the Project's architect.

Capital Funding

The total capital cost of the project (land, construction and soft costs) is estimated to be \$15,452,750 (approximately \$177,618/unit). The intent is to minimize and, if possible, avoid any debt financing for the project.

The capital funding will be provided as shown in Table 1.

Table 1: Participants and Contributions

Participant	Contribution
City of Vancouver	\$ 1,475,000 [land] \$ 3,525,000 [portion of construction costs, environ. fees & soils remed.]
BC Housing	\$ 4,882,750 [for capital costs]
Vancouver Agreement	\$ 2,725,000 [for capital costs]
Vanc. Coastal Health Auth.	\$ 2,100,000 [for capital costs]
BC Min. of Employment	\$ 745,000 [for capital costs]
Total Contributions	\$15,452,750

The capital budget for the Project will be subject to a quantity survey assessment of the development permit plans, and subject to the tendering of the Project. If the quantity survey or the tender price exceeds the capital funding available, the partners may consider reducing the scope of the Project, contributing additional capital funding or cancelling the Project.

Operating Funding

The general objective for this Project is to maximize the number of the units occupied by individuals whose maximum household incomes are at core need levels or who cannot pay rents greater than the shelter component of income assistance.

The capital investment shown in Table 1 is intended to allow the Project to be operated mortgage free. Rents are expected to cover all the costs of operating the building. The operating budget for initial year is estimated to be \$437,423.

All parties to this document will need to be satisfied the building's proposed revenues meet the estimated operating expenses for this project to proceed.

VCHA will provide annual funding for the support staff for the 30 tenants selected by VCHA. The VCHA funding will provide on-site support up to 8 hours a day, 7 days a week. This dedicated support funding will not subsidize the normal property management operating budget of the building.

VCHA Units

VCHA units will be filled through the VCHA's centralized addiction access service. Individuals in the VCHA units will have been alcohol and drug free for a minimum of 90 days and will be actively committed to a recovery lifestyle and ongoing treatment.

The individuals in these units will be subject to a Program Agreement that includes a requirement to maintain a drug and alcohol free lifestyle and be actively engaged in appropriate addiction management program.

All treatment services will be provided by outside agencies and will be delivered off-site or at the tenant's residence in the Project on an appointment home-care basis.

If an individual in a VCHA unit does not remain drug and alcohol free, VCHA and the Sponsor will intervene to support the individual to regain an alcohol and drug free status and maintain their housing. If drug or alcohol use continues, the Sponsor will advise VCHA staff and will give the tenant a 48-hour notice of eviction. VCHA will relocate the individual to an appropriate alternate housing option or treatment facility.

Sponsor's Units

The Sponsor will select individuals to occupy the Sponsor's units. The Sponsor will maintain a list of residents living in SROs in the Downtown South who are interested in living in the Project and who will have priority for any units in the Project.

Individuals in the Sponsor's units will be governed by the Residential Tenancy Act.

Tenant Incomes and Rents

All individuals living in the Project must meet identified income qualifications to qualify to move in to the Project.

All individuals receiving BC Employment Assistance will pay the shelter component of welfare as rent. All other tenants will pay 30% of their gross household income on rent or the market rent for their unit which ever is less.

Ground Floor

The ground floor will accommodate the amenity space for the Project, the Sponsor's offices, and covered parking and service areas. The amenity space will be shared by all the individuals living in the housing.

Schedule

Execution of MoU Early July 2006
Report to City Council July 2006
Submission of building permit August 2006
Project Tendering Fall 2006
Project Commitment November 2006
Construction Start January 2007
Completion..... Summer 2008

Signature Page follows.

Legal Obligations

No legal rights or obligations shall arise or be created until all legal documentation has been fully executed on terms and conditions satisfactory to the solicitors for the Sponsor, City, VCA, and BC Housing.

For Granville Mennonite
Housing Society

For Vancouver Coastal Health Authority

Original signed by Gerry Sportack
Director

Original signed by Linda Thomas
Director

Name/position
July 6/06

Name/position
July 5, 2006

Date

Date

Original signed by Maureen Whyte
COO

Name/position
July 5, 2006

Date

For BC Housing

For the City of Vancouver

Original signed by Trisha Begg
Regional Development Manager

Original signed by Cameron Gray
Director, Housing Centre

Name/position
July 5/06

Name/position
July 4, 2006

Date

Date

PRELIMINARY CAPITAL COST BUDGET

SPONSOR:		Granville Mennonite Housing Society	
PROJECT ADDRESS:		1321 Richards Street, Vancouver	
CHARITABLE STATUS (Number):			
GST REGISTRATION (Number):			
	APPLICANT'S ESTIMATE	Comments	
Acquisition & Servicing Costs			
1. Freehold Land Value [Leasehold Land Value = \$10]	\$1,475,000		
2. Off-Site Services	\$0		
3. Survey, Title Fees	\$3,000		
4. Municipal Fees	\$185,317		
5. Property Transfer Tax	\$27,500		
6. Administration Fee	\$0		
8. Environmental Site Assessment	\$17,500		
8. Demolition	\$27,000		
9. Soil Remediation	\$70,000		
1 0. Other: Land Appraisal	\$3,000		
Sub-Total Acquisition & Servicing Costs		\$1,808,317	
Development Fees and Charges			
1. Interest pre IAD	\$0	Months of construction: 18	
2. Taxes pre IAD	\$12,500		
3. Insurance pre AD (owner controlled)	\$313,241		
4. Consultants, Principal	\$501,000		
5. Consultants, Other	\$22,000		
5a. Organization Expense General	\$72,500		
5b. Organization Expense Marketing	\$0		
6a. Development Consultant	\$308,778		
6b. Development Consultant Disbursements	\$7,500		
7. Soil/Topography Studies	\$7,500		
8. Legal	\$60,000		
9. Inspections	\$15,000		
10.LenderFee	\$0		
1 1. Mortgage Insurance Fee	\$0		
12. Other: Quantity Surveyor	\$15,000		
Sub-Total: Development Fees and Charges		\$1,335,019	
Building			
1. Construction	\$11,477,835		
2. Stoves/Fridges	\$108,700		
3. Laundry Equipment	\$15,000		
4. Landscaping	\$0		
5. Home Warranty Fee	\$0	As per HPO waiver lbr rental projects \$207 per sq. ft.	
Subtotal: Building			
Project Contingency	\$707,878	Budget less land @ 5%	
G.S.T. Contingency (Net)	\$	Municipal status	
Sub-Total: Other		\$707,878	
TOTAL BUDGET		\$15,452,750	
Possible Financing Sources			
1. Land Equity - City of Vancouver will provide 60 year lease @ nominal rent	\$1,475,000		
2a. Grants -City of Vancouver& contribution for envionmental fees& soils remediation	\$3,525,000		
2b. Grants - BC Housing Management Commission	\$4,882,750		
2c. Grants -Vancouver Agreement	\$2,725,000		
2d. Grants - Vancouver Coastal Health Authority	\$2,100,000		
2e. Grants - BC Ministry of Employment & Income Assistance	\$745,000		
TOTAL POSSIBLE FINANCING SOURCES		\$15,452,750	
Total Mortgage Financing Required		(\$0)	

\$177,618 per unit

Report Entitled: Lease Terms and Floor Space Relaxations for the MCC Housing/Wings Social Housing Project at 1321 Richards Street (DE406078)

(Council Approved Motions: February 7, 2002)

- A. THAT Council approve the ground lease of 1321 Richards Street (Lot E, Block 114, DL541, Plan LMP49246) to the Mennonite Central Committee (BC) Social Housing Society for 60 years at nominal rent, in accordance with the terms described in this report and other terms to the satisfaction of the Directors of Legal Services, Real Estate and the Housing Centre;

THAT the Director of Legal Services be instructed to prepare and execute the lease documents on behalf of the City; and

FURTHER THAT no legal right or obligation is hereby created and none shall arise hereafter except upon execution of the lease documents by all parties;

- B. THAT Council supports the relaxation of FSR for the proposed social housing project in the amount of approximately 200 m² (2,150 ft.²) as approved-in-principle by the Development Permit Board at their meeting of October 29, 2001 under Section 3(11) of the Downtown District Official Development Plan; and
- C. THAT Council approve a budget up to a maximum of \$50,000 to undertake the necessary soils remediation program, including obtaining a Certificate of Compliance to residential standards from the Provincial Ministry of the Environment, for the site at 1321 Richards Street (Lot E, Block 114, DL 541, Plan LMP49246), with the source of funds to be PEF Account 64/80/8004/160.