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CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: November 29, 2006
Author: Ben Johnson/Peter Greenwell
Phone No.: 604.873.7542/604-871-6484
RTS No.: 05512
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Meeting Date: February 13, 2007

TO: Vancouver City Council

FROM: Director of the Housing Centre in consultation with the Director of Legal Services, the Director of Finance, the Director of Real Estate Services, Director of Licenses and Inspections, and the Director of Planning

SUBJECT: Downtown Eastside Housing Plan - Report Back on SRO Stock

CONSIDERATION

- A. THAT Council direct staff to search for a potentially suitable hotel where use of Section 23 of the Standards of Maintenance By-law might be appropriate and report back to Council on procedures, timeline and budget estimates.

RECOMMENDATION

- B. THAT staff continue to review SRO purchase opportunities including possible partnerships with senior levels of government and Vancouver Coastal Health.
- C. THAT Council direct staff to report back on a grant of \$35,000 for tenant support services, with matching funding from BC Housing, as part of the 2007 operating budget process.

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services Group presents A for Council's consideration and recommends approval of B and C.

COUNCIL POLICY

In July 1998 Council confirmed the following as part of a set of principles to guide the Program of Strategic Actions for the Downtown Eastside:

- Improve existing SROs and build replacement low-income housing; and
- Encourage a diversity of housing.

In October 2003, Council enacted the SRA By-law as a tool to regulate the rate of change in SRO buildings in the downtown core.

In June, 2005, Council adopted the Homeless Action Plan which makes recommendations in three areas to address homelessness: income, housing and support services. Item 22 of the Homeless Action Plan is: "The City of Vancouver to purchase at least one SRO per year, subject to available funding, and in partnership with senior levels of government, to upgrade the building so that, where feasible, each room includes a private bathroom and cooking facilities, and engage a non-profit housing society to manage the building."

In September 2005, Council adopted the Housing Plan for the Downtown Eastside. Relevant recommendations of the Downtown Eastside Housing Plan include:

- Action 3.1 Replace SROs with low-income social housing on a 1-for-1 basis and facilitate the integration of market housing.
- Action 4.4 Purchase one SRO per year in the Downtown Eastside and provide funding to upgrade to self-contained housing units under non-profit or City management.
- Action 4.7 Encourage the improvement of the maintenance and management of SROs.
- Action 4.7.7 Explore the feasibility of the City carrying out upgrades to private buildings found in violation of City by-laws and applying the costs of doing so to the building's tax assessment.
- Action 4.12 Fund a feasibility study for developing an SRO Incentive program where owners of non-heritage SROs can qualify for incentives including property tax relief.

On November 14, 2006 Council requested:

Staff review the Vancouver Charter to identify possible amendments that would support the development of affordable and supportive housing in Vancouver including consideration of property tax relief, transferable density, ending prohibition of rentals in strata-titled condominiums, bonus zoning, and direct density bonusing for developers who build social housing;

SUMMARY

SRO hotels are a fundamental part of the housing stock because it is the least expensive market housing in the city and there are no readily available alternatives. This housing stock is vulnerable to closure or disinvestment because of the age and condition of the buildings, the marginal economics of running them, and development pressures. This report addresses four explicit actions from the Downtown Eastside Housing Plan:

- Enforcement of the City bylaws
- Support for tenants

- Economic incentives for SROs
- City purchase of SROs

PURPOSE

This report provides Council with an update on the implementation of the Housing Plan for the Downtown Eastside relating specifically to SRO hotels. This report focuses on a series of recommendations to improve liveability in SROs and to keep them open until they can be replaced by better-quality low-income singles housing.

BACKGROUND

The Housing Plan for the Downtown Eastside, adopted unanimously by Council in September 2005, identifies a vision for the future of the area. Under the Plan, the Downtown Eastside will remain a predominantly low-income community, retaining 10,000 low-income housing units into the future. At the same time, new market housing will be encouraged with an emphasis on affordability for middle-income individuals and households.

Of the 10,000 low-income units in the Downtown Eastside, currently about half are rooms in SRO (single room occupancy) hotels and half are in subsidized social housing. Rooms in SRO hotels are a significant and important part of the housing spectrum in Vancouver and the region. They provide the only rental housing available to people who can pay just \$325 per month for rent, which is what single people on welfare earn.

SRO buildings often suffer from structural, plumbing and electrical problems. Very few meet the requirements of the seismic code. The average SRO was built a century ago. Rooms are about 100 square feet, and do not contain private bathrooms or kitchens.

The shelter allowance from welfare has not been raised since 1991. As a result of the low shelter allowance the economics of running a SRO are challenging. If the allowance had kept up with inflation over that time period it would be \$428 per month now instead of the current \$325 per month.

From the City's own information we know that there has been an increase in rental rates and a decline in the vacancy rate in SROs since 1992. The declining vacancy rate within a declining SRO housing stock means that fewer and fewer rooms are open and available for rent. As reported in the City's "2005 Survey of Low-Income Housing in the Downtown Core" report, the vacancy rate has fallen from 14% in 1992, to 10% in 2005 and the number of rooms available for rent has declined from 900 to less than 600. The number of rooms available for rent at \$325 in the Downtown Eastside has fallen from 72% in 1992 to 21% in 2005.

SRO operators face challenges maintaining their buildings with such marginal income streams. Proper management is also an issue, and this is compounded by the fact that many SRO residents face serious challenges. For example, according to a survey of SRO residents done in 2000, almost half indicated that they faced health concerns. A disproportionate number of SRO residents suffer HIV/AIDS, hepatitis, mental illness and/or drug addictions. In a survey of SRO residents done in 2000, over half self-identified as having specific or multiple health concerns. Although there have been expansions in the delivery of primary health,

methadone, detox and harm reduction services many living in SROs do not have access to the health supports they need.

Nonetheless, SROs are key components of our housing spectrum as there are no alternatives for low-income singles. Despite being a marginal form of housing, SROs need to remain open and liveable until they can be replaced with new social housing for low-income singles. This report provides a series of recommendations that can help address this challenge.

DISCUSSION

A long-term objective of the Housing Plan for the Downtown is to replace almost all SROs with new social housing, or to renovate buildings into better units under non-profit or good private management. It is City policy to facilitate the replacement of SROs with purpose-built social housing on a 1-for-1 basis in the Downtown Eastside and in the Downtown South.

Between 1997 and 2003, SROs have been lost at a rate of 170 units per year in the Downtown core. At the same time, however, the development of new social housing for singles took place at a rate that has yielded a net gain of 384 low-income units over that period¹.

The Plan makes a series of recommendations to improve the operation of SROs in the interim until such time that they can be replaced and to support the tenants who live in them. The City can employ a variety of tools to address conditions in SROs and their vulnerability to disinvestment or closure. They range from enforcement to incentives, and also include support and advocacy.

A. Enforcement - Compliance with City By-laws

There are many City by-laws used throughout the City on a regular basis to ensure that rental residential premises are maintained in a safe and liveable condition. The City works to encourage compliance with these by-laws, and failure to comply with them can lead to enforcement action. The primary by-laws enforced by City inspectors in SROs and other residential rental properties include the Standards of Maintenance By-law, the Building By-law, and the Fire By-law. Enforcement of orders can result in fines, Business License suspensions, and closure. The SRA By-law is an additional tool to manage the rate of demolition or conversion of SROs. As well, the City Health By-law and the Provincial Health Act, which are enforced by the Vancouver Coastal Health Authority (VCH), can be useful tools to maintain residential standards.

While some SROs are well managed and maintained, others are in much worse condition and often found in violation of City Health, Building, Fire and Standards of Maintenance By-laws. Many private owners cannot afford to maintain or staff their buildings adequately, or they

¹ It is important to note that these figures refer to the overall stock of low-income housing, not to the rent levels or to the characteristics of the tenants. For example, an SRO unit will still be counted as part of the stock even if rents at more than the shelter allowance rate. An SRO is removed from the stock when the unit is closed or converts to a different use, such as daily rentals, condominiums or commercial uses, or when it is demolished. Further, the calculation of stock does not take into account different kinds of tenants. If an SRO rents to a traditional Downtown Eastside resident or to a student, it is still considered part of the stock.

disinvest in the property in anticipation of future redevelopment opportunities. Others turn to illegal activity such as welfare fraud, as found by the Vancouver Police Department in the course of Project Haven. The following table provides details on SRO closures over the last two years:

SRO Closures			
Building	Date closed	Why Closed	Details
New American Hotel 928 Main Street	08/2006	Owner evicted tenants	Building remains vacant
Burns Block 18 West Hastings	03/2006	Fire By-law Violations Health By-law violations	Owner would not undertake repairs
Pender Hotel 31 West Pender	02/2006	Owner evicted tenants (serious safety concerns)	Building was unsafe, complications over management
New Wings Hotel 143 Dunlevy	04/2005	Several business license hearings and numerous serious police incidents	Reopened 11/2006 under new Non-Profit management
Marr Hotel 401 Powell	07/2004	Business License revoked	Currently being upgraded and will reopen as SRO

The impact of addicted or mentally-ill people living without health or life-skills support on the SRO buildings is significant. Walls, doors, fire safety equipment and plumbing are all subject to damage by tenants in need of treatment, support and/or care.

A.1. Standards of Maintenance By-law No.5462

The Standards of Maintenance By-law, which deals with maintenance and occupancy of all residential buildings and lands in the City of Vancouver, is enforced by the Property Use Inspectors of the City's Department of Licenses and Inspections. The purpose of this by-law is to maintain basic standards of liveability in residential premises. However, the Standards of Maintenance By-law has limitations.

Under Section 23 of the Standards of Maintenance By-law some repairs can be ordered. For example, an order might be to repair a leak in a roof, or repair broken window panes. The City can order that hot water and heat be maintained in a residential building. Orders can be issued to replace carpets, to paint and to repair broken plumbing fixtures. However, the Standards of Maintenance By-law cannot be used to deal with structural issues, such as ancient and crumbling plumbing systems and fire alarm systems in need of replacement. Nor is it a tool to address fundamental social problems such as mental illness and drug addiction which can contribute to the deterioration of the buildings.

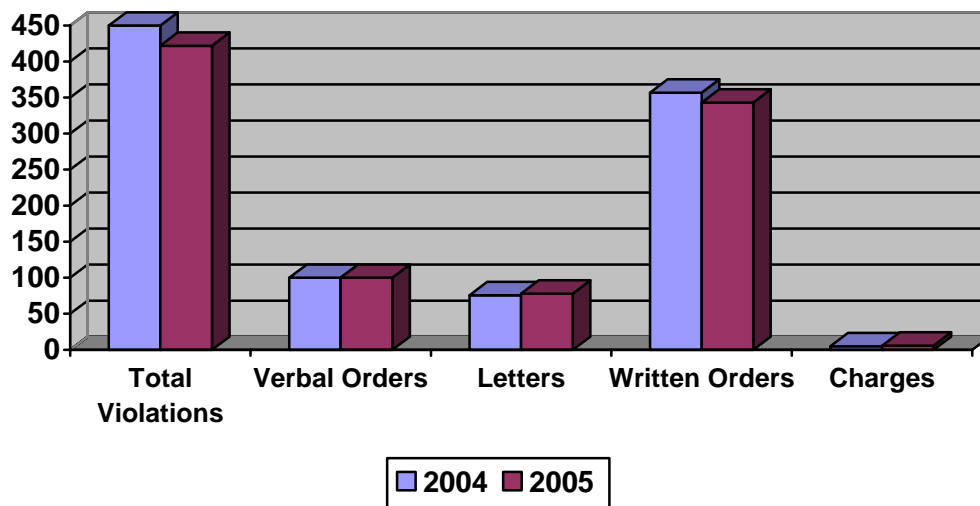
Standards of Maintenance Bylaw	
Within Scope of the By-law	Beyond the Scope of the By-law
<ul style="list-style-type: none"> • Repair lighting • Interior and exterior painting • Repair holes in walls • Repair toilet and sinks • Repair window • Repair boiler 	<ul style="list-style-type: none"> • Seismic work • Replace Window • Replace wiring, plumbing and heating systems • Replace boiler • Structural repairs

Most City by-laws are enforced on complaint or upon issuing of a permit. The Standards of Maintenance By-law is unusual because the City not only inspects pursuant to complaints related to any residential premise in the city, but also carries out a regular inspection program of SRO hotels and rooming houses.

In the case of first time minor violations, the City begins enforcement with either a verbal order or a letter requesting compliance. In the case of repeat offenders or more serious offences, such as lack of heat or hot water, the City goes directly to a written order. Failure to comply with an order is followed by prosecution or injunction. No building has ever been closed under the Standards of Maintenance By-law.

There are between 1,700 and 2,200 Standards of Maintenance inspections carried out annually by the 23 property use inspectors employed by the City of Vancouver. Recent statistics regarding those inspections include the following:

**Standards of Maintenance By-law
Enforcement History - Vancouver**



There is a very high rate of compliance with orders under this by-law, demonstrated by the small number of prosecutions which result from the large number of annual violations.

Section 21 of the Standards of Maintenance By-law outlines maintenance standards that must be maintained for all residential premises.

The case of *Carline Holdings Ltd. v. Vancouver (City)*, August 20, 1990, Justice Davies, considered the scope of the City’s Standard of Maintenance By-law. The court stated:

Section 21.10 should be given a broad interpretation (*D & H Holdings Ltd. V. City and Armstrong, supra*). In my view, that section provides the authority to require repairs to headboards, baseboards, door casings, dresser repairs, the sealing of carpets, and that sinks be free from chips and stains.

Mr. J. Davies went on to clarify that there was no authority in the by-law to replace furniture and other basic furnishings.

A provision in the Standards of Maintenance By-law that has been the subject of discussion is the section in that by-law which authorizes the City to enter a building and carry out repairs, and to place the cost of the repairs on the property tax roll. Action 4.7.7 of the DTES Housing Plan recommends that staff report back on this option. Recent reports by the Carnegie Action Project and the Pivot Legal Society discuss this section of the By-law and encourage its use.

Section 23.2 of the Standards of Maintenance Bylaw says: "The City Building Inspector may issue an order to an owner of a building or land directing that the building or land be brought into compliance with a provision of this By-law." Section 23.8 through 23.11 describes the process for ordering work to be done:

Sec. 23.8 - If work is not carried out by the owner of a building in violation of the Bylaw, as ordered by the City, City Council may pass a resolution stating that the City will carry out the necessary repairs within 60 days of service of the orders);

Sec. 23.9 - After 60 days, the City can enter and undertake the repairs;

Sec. 23.10 - The owner is billed for the full cost plus administrative fees;

Sec. 23.11 - If the amount is not paid after 30 days, the charges are placed on the Real Property Tax Roll and remain on title.

It is important to understand that use of this power is subject to the limits set out in the *Carlisle* case: i.e. the City would do repairs to a "reasonable" standard but could not replace necessary infrastructure. The City has only used this power once in recent years. In 1991, the City carried out repairs at the Columbia Hotel. The cost of these repairs was placed on the tax roll. The owner contested the level of repairs, claiming that the City had gone beyond the scope of what was "reasonable." The property went into foreclosure before the legal issue could be resolved.

There are strengths and weaknesses to applying Sec 23.8 - 23.11 of this By-law. In terms of strengths, recognition that the City is willing to initiate this action may encourage owners to make repairs before the City does so; it could provide a stronger incentive for By-law compliance. An owner may be less likely to wait for the City to step in or to rely on the City to maintain their buildings because it will cost the owners more to have the City do these repairs (as administrative costs are recuperated and labour costs are likely higher).

The weakness is that the repairs are limited to Standards of Maintenance violations. The By-law authorizes only minor repairs and cosmetic work. The By-law does not provide for the replacement of the plumbing, electrical or heating systems, and often this is what is needed.

Another challenge is building management. If a building is not well managed and houses challenging tenants it is very likely that it will fall into disrepair again in short order. (It is important to note that the City does not have the legal authority to take over management of a building.) There are several examples of this happening. In one recent case of a hotel on East Hastings, extensive interior building repairs as well as plumbing and electrical upgrades

were done in 2004, with all required City permits and inspections. The work completed has been significantly damaged over the last two years.

Another problem with the City doing repairs to SROs is the associated financial risks to the City. If a court had determined that the repairs carried out by the City to the Columbia Hotel were beyond the scope of the by-law, were to a higher standard than "reasonable", or were negligently carried out this might have resulted in a significant financial loss to the City of Vancouver. The possibility of a similar legal challenge and financial risk exists in any case where the City undertakes repairs of an SRO.

Given the above complexities, it is not recommended that the City begin using Section 23 on a regular basis. It appears that the scope of repairs that could be made under the By-law is limited, the repairs could last only a short time, and the City could face legal challenges and potentially high costs. The possibility of the City carrying out repairs in a building with Standards of Maintenance violations is presented to Council for CONSIDERATION. The rationale for proceeding would be to gain experience on whether this is an effective tool.

It may be possible to select a pilot hotel which would reduce the potential for some of the above noted risks, although it is impossible to eliminate them, and a positive outcome is uncertain. If City Council wanted to proceed a hotel would be selected where the scope of work is somewhat clear, the building management might maintain repairs, and the potential city costs are lower.

Should Council wish to proceed, staff would remain alert to a potentially suitable hotel. A building would have to be in violation of the By-law and due process would have been followed where orders had been issued and not complied with. Then consideration would be given to minimizing risks and maximizing positive outcomes as noted earlier.

The Department of Licenses and Inspections enforcement process for Standards of Maintenance may include the following:

- Field inspections
- Letters and written orders to the property owner
- Charges laid in Provincial court against the property owner

If the City were to proceed under Section 23 of the Standards of Maintenance By-law staff would report to Council outlining procedures, timelines and budget estimates. The process would include:

- Field inspections
- Letters and written orders to the property owner
- Report to Council requesting a resolution authorizing the necessary repairs
- Private Contractor hired to do the work ordered
- Evaluation of the pilot project with a report to Council

A private contractor would be hired through the Department of Licenses and Inspections. The city would charge costs to the owner. If the City is not reimbursed as per the By-law, charges could be placed on the tax roll. A full evaluation of the pilot would be completed with a report to Council including the strengths and weaknesses of this approach, lessons learned and the condition of the improvements after six months to assess the longevity of the repairs.

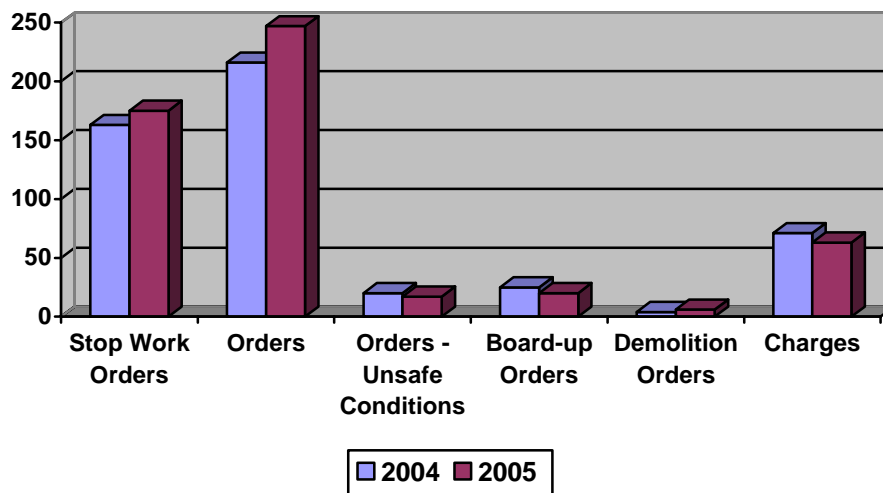
A.2. Building By-law

The Building By-law is also an effective tool in ensuring that safety standards are maintained in residential rental and owner occupied buildings throughout the City. If failure to maintain a residential premise results in an unsafe condition, the Building By-law contains authority to deal with that situation. For example, in the event of failure to maintain life safety systems under various by-laws (such as Building, Electrical and Fire), the City Building Inspector may issue orders to remedy the unsafe condition.

If an owner fails to remedy the unsafe condition, the City Building Inspector can order the building be vacated and boarded up. The City does not have the authority under the Building By-law to do repairs to private property.

There were 48,869 inspections in 2005 by the 23 district inspectors in the Building Department. Although most of these are in regard to work being completed under appropriate permits, the following statistics reflect the use of the Building by-law to correct problems in unsafe buildings.

Building By-law Enforcement History - Vancouver



There is a higher rate of charges under the Building By-law than with the Standards of Maintenance By-law. Charges can involve, for example, the removal of sundecks or other unauthorized structures in RS1 neighbourhoods.

A. 3. Fire By-law No. 7004

The Fire By-law deals with maintenance of fire protection systems and exiting in residential buildings throughout the City. The Fire Inspector under the Fire By-law will address problems with maintenance of fire protection systems and exiting in residential rental buildings which results in an unsafe condition. The Fire Inspector will order that deficiencies be repaired forthwith.

The Fire By-law also contains specific powers of evacuation: if there is a risk arising from a fire hazard which “causes the Fire Chief to be apprehensive of imminent and serious danger to life and property ...” the Fire Chief can evacuate a building using emergency powers. The Fire By-law is enforced throughout the City. There are roughly 30,000 inspections per year and approximately 4500 violation notices issued.

The City does not have the authority under the Fire By-law to do repairs to private property. In 2004 there were 18 prosecutions under the Fire By-law. In 2005 there were 29 prosecutions under the Fire By-law. All prosecutions were in regard to residential buildings.

There have been a number of instances in recent years where SRO hotels owners have been ordered to maintain 24 hour fire watch due to code violations. The watch has served to provide safety and keep buildings open while work to have buildings comply with code requirements has been completed. This has happened at the Victorian Rooms in 2004, the Piccadilly in 2005, and the Pender Hotel in 2006.

A.4. Health By-law No. 6580

The City’s Health By-law No. 6580 outlines the provisions for the City’s Medical Health Officer to issue orders and provide for enforcement to ensure compliance with the requirements of the Health By-law. Enforcement includes the provision of maximum and minimum fines per offence.

The Medical Health Officer may, by a notice in writing, under Section 2.2(a) order the occupants or the owners or both to put premises in proper sanitary condition; and 2.2 (b) the occupants to vacate the premises. These provisions allow the Medical Health Office to issue orders for sanitary considerations with infestations, lack of heat and/or a sufficient supply of water for all household and sanitary requirements. When health officials find a violation of the Health By-law the Medical Health Officer may “by way of notice posted on the premises, require the owner to remedy the inadequacy in the manner described in the notice.”

In the Downtown Eastside health officers may issue orders for both a building and for an individual room if there is no compliance with the by-law. This action was recently taken when pest proofing was required at the Cobalt and Regent Hotels. Typically this is limited to individual rooms where there is a problem with an infestation. For example, recently, orders have been issued for rooms with severe bed bug infestations.

B. Economic Incentives

In recognition of the challenging economics of SRO operation, financial incentives can serve as a way to maintain the stock and improve conditions in properly-run buildings from an increase in revenue. The City has acted as an advocate of this by asking the Province to increase the welfare shelter allowance and/or to provide rent supplements for units operated by SRO owners. This report explores the issue of property tax relief and/or contracting for services with SRO owners as forms of economic incentive.

Property Tax Relief

The Director of Finance comments that as a matter of general policy, the City has not used the property tax system to incent or disincent taxpayer behaviour. The appropriate way to finance social objectives is through direct funding accounted for within the City's budget processes rather than through revenue loss from the property tax system.

In 2003, the City initiated the Heritage Incentive Program for buildings in the Historic Areas of Gastown and Chinatown. This program was later expanded to Victory Square and Hastings Street. To support the revitalization of heritage buildings, a package of incentives was developed. These include façade grants, transferable density and property tax exemption. In the case of property taxes, eligible projects can be exempt from City commercial and residential taxes for up to ten years to cover shortfall costs of restoration.

The program has generated considerable interest from owners and developers and many heritage projects have been completed. However, the Director of Finance notes the City's experience with developing and administering the Heritage Incentive Program, which involves more than tax abatement, has been relatively complicated - for both City staff and exemption recipients - and expensive to administer.

The mechanics of a tax exemption involve: (i) reducing the tax revenue in a property class in a given year, and (ii) redistributing the taxes that are not collected among the other properties in that class, or alternatively across all property classes. Effectively, the impact of a tax exemption on taxpayers (either in that property class or in all property classes) is identical to an increase in the City's operating budget. However, the mechanics of a tax exemption mean that this "cost increase" never appears in the City's operating budget.

Section 396 of the Vancouver Charter provides for specific exemptions from property taxation which do not include exemptions for housing. These provisions are administered by the BC Assessment Authority. With the exemption of the limited exemptions under the heritage provisions of the Charter, Council does not have the authority to grant permissive property tax exemptions. A very limited set of permissive exemptions and the recently-created heritage tax exemption are the only Council-controlled interventions into the City's otherwise pure market value-based property tax system.

Action 4.12 of the DTES Housing Plan recommends that the City explore "incentives such as property tax relief" as part of an economic incentive program for private SROs. An analysis has been done of the amount of residential property tax paid by all SROs in the Downtown Eastside.

The median annual residential tax paid is \$1,300 per building, or about \$40 per room per year. Some SRO buildings have commercial uses as well. In these the total tax paid is much higher with a commercial property tax average of \$4,450 per building, or \$127 per room. About 20% of SRO buildings pay only residential property tax.

An exemption of both residential and commercial taxes would result in larger tax abatements. The average SRO pays \$3,800 in both taxes a year or \$135 per room per year. Those with larger commercial components, such as large retail spaces or pubs, pay more than the smaller SROs. An exemption of residential and commercial property tax is not likely to make a significant difference in the operation of an SRO as an average of \$40 - \$135 per room per

year is not a substantial incentive, and few owners would likely want to enter into a contract for service for a minimal return.

If the City wanted to use property tax relief for SROs, the Vancouver Charter would have to be amended. Staff will be reporting in a separate report on possible housing-related Charter amendments and will further consider this. However, given the marginal incentive provided by property tax abatement to SRO hotels, it is unlikely that this particular amendment will be recommended.

Contract for Services

Another mechanism to provide for the administration of economic incentives would be through a fee for service contract. Contractual agreements would be negotiated on an individual basis with SRO owners. A contract for service, where the City was receiving services for a fee, would not be considered a grant to an individual and would likely fall within the current provisions of the City's Charter.

On November 14, 2006 Council passed the following motion regarding the economics of SRO operations:

THAT Council request that the Province provide emergency funding for the Single Room Accommodation (SRA) designated buildings in the City to ensure they continue to be viable and properly maintained and managed, and that the City administer the funds in the context of the enforcement of the City's by-laws including entering into agreements with SRA owners to ensure they manage and maintain their buildings in accordance with City by-laws and provincial legislation.

Any future fee for service contracts which dealt with the issues of SRO economics and management would require the financial involvement and participation of other levels of government. This should be within the context of the announced provincial changes to welfare shelter allowances or other senior government funding including rent supplements. There may be opportunities to involve non-profit agencies in implementation and delivery of such programs and services.

With the participation of other levels of government and non-profit agencies, the contracts could include rent level guarantees, management requirements, and specific health and/or social support services such as house keeping services, pest control, and life skills support. Other requirements could include complying with City by-laws, such as the Standards of Maintenance By-law and provincial regulations (RTA etc). With the financial participation and involvement of senior levels of government these contracts could result in significant financial incentives for SRO owners and operational enhancements for residents.

Staff will report back to Council on potential future developments with this incentive mechanism. Council may need to consider the City's experience with the current SRA By-law which has been that individually negotiated agreements with SRO owners can have staffing and resource implications.

C. City SRO Purchase

Under the Homeless Action Plan and the Downtown Eastside Housing Plan, City policy is to purchase one SRO per year for conversion to social housing under non-profit management subject to funding partnerships with senior governments and the Vancouver Coastal Health Authority. Staff from Real Estate Services have been actively looking, but finding a suitable SRO to purchase has proved challenging. A substantial barrier is cost. Along with other real estate in the City, prices of SROs have doubled over the past few years.

The purchase and renovation of SRO hotels should continue, to provide safe, secure housing for those low-income people who want modest accommodation. The retention of the existing stock is increasingly important with no provincial housing program to replace losses from the existing stock.

Purchase of Individual Hotels

As developer interest has increased in the Downtown Eastside, in part due to the success of the Woodward's redevelopment and the Heritage Incentive Program, asking prices for SROs have increased substantially to levels that reflect the speculative values of potential redevelopment opportunities rather than the economics of SRO operation. For example, a mid-block 51-room SRO on East Hastings near Gore is currently on the market for \$2.3 million, more than double its assessed value. A 32-room SRO on a 25-foot lot one block east of Woodward's on W. Hastings has a listed price of \$2.3 million, almost three times its assessed value.

Not only does purchasing an SRO at these prices not make fiscal sense, it would reset the bar for property values and, in-effect, increase speculation in the area. This could have profound implications for the displacement of the low-income community as property values rise and affordable housing becomes less viable due to the cost of land. For example, social housing projects may no longer be able to complete within reasonable budgets, and SRO owners may disinvest in their properties, hoping for higher returns.

The City should remain committed to purchasing an SRO each year, but must, however, remain mindful of the implications of overpaying. Staff will continue to research possibilities, and Council will be apprised when an opportunity is pending.

In future the City may want to consider a process to more actively search for prospective SRO hotels for purchase. One means of this would be to have the Director of Real Estate Services issue a request for proposals from SRO owners who would be interested in selling their buildings. Any properties offered for sale would be subject to a careful financial and structural appraisal in the context of meeting both the City's financial and social objectives. This process would be similar to a "reverse auction" of hotels. Staff will report back on this option if it appears to be an appropriate acquisition strategy.

D. Tenant Support

Tenants of SROs can be supported in several ways. Health and life skills supports are fundamental to provide stability for residents with mental and physical disabilities, and addictions. The Homeless Action Plan and the forthcoming Supportive Housing Strategy

define a city-wide approach to provide supports for those with mental health and/or addiction issues. As well City staff are engaged in a variety of other SRO-related initiatives in the Downtown Eastside. Some are related to recommendations in the Housing Plan and some are independent programs regarding the infestations of bed bugs, SRO management, input to Standards of Maintenance updates and SRO pilot program.

D.1. SRO Tenant Assistance

SRO residents, like tenants anywhere, have legal rights when it comes to their tenancies. The rights are set out in the provincial Residential Tenancy Act (RTA) and are administered through the Residential Tenancy Office (RTO). The RTO dispute resolution process exists to resolve disputes and address concerns regarding evictions, repairs and monetary claims. The system can be time consuming and frustrating. This can be overly difficult for SRO residents, especially in the case of evictions. Enforcement mechanisms such as the redirection of rent for repairs and services are not immediate and can require significant follow through on the part of applicants.

In the 1990s, the City co-funded with BC Housing two community grants to organizations that worked with residents in the Downtown Eastside and Downtown South to provide tenancy assistance services. Action 4.9 of the Housing Plan recommends that the Province restore funding for organizations that assist tenants in resolving disputes and accessing the arbitration (dispute resolution) process.

While advocacy organizations currently exist in the Downtown Eastside and some can assist tenants with arbitration related to evictions, most lack the resources or mandate and more can be done to support tenants through the arbitration system and enforcement procedures. More resources for tenants are needed given the increased pressure on SROs. The arbitration system is less physically accessible to SRO residents than it was 5 years ago, with the closure of the Vancouver location of Residential Tenancy Office (RTO) in 2003. The RTO office in Burnaby is the only office in the GVRD.

Aside from acting as an advocate for tenants in the arbitration process and apprising them of their rights, the support worker can also organize tenants to initiate actions that improve conditions in SRO buildings. For example, under the Residential Tenancy Act, tenants in buildings that are not properly maintained can redirect their rents from the landlord into an account that is applied to making the necessary repairs.

SROs are unique in terms of rental housing in that many of the shared facilities (common washrooms and/or common kitchens) are essential services. Under the rent re-direction order, repairs are not completed until sufficient rent has been re-directed to cover the full cost of repairs to ensure prompt action on essential repairs. The RTO allows joint hearings on repair and service applications. The help of a tenant support worker, in this circumstance, could prove very effective in improving conditions in SRO hotels in a timely manner.

As part of the 2007 operational budget considerations staff will recommend that \$35,000 be allocated for a pilot contract for tenant support for a period of one year with cost sharing on a 50/50 basis between the City of Vancouver and BC Housing. If this is approved staff will report back before the end of the contract with an evaluation of the position, and may recommend funding for an additional year or through 2010 if the position is considered successful.

D.2 Bedbug Pilot Project

Controlling bedbugs is complex and difficult. Powerful residual insecticides that once effectively controlled bedbugs are no longer used and as a result, bedbug infestations are increasing. Bedbugs are very resilient (an adult can live over a year without feeding); they are tiny and can hide in small cracks in walls or furniture; and they reproduce rapidly (females lay their eggs in secluded areas - 200-500 in a lifetime). The rise in bedbug infestations is a growing concern for both tenants and owners.

The purpose of the pilot project was to develop, test and evaluate, a more effective and systematic process to reduce the infestation of bedbugs in the DTES. The project provided a systematic approach to combating bedbugs in two buildings (one for profit and one not for profit SRO) including: tenant and hotel management education (pre and post spraying); peer support to ensure tenant rooms are adequately prepared/restored pre and post spraying; and, coordination of resources to either clean, replace or dispose of infested beds and other tenant and hotel belongings; as well as an education component for both SRO tenants, landlords and the broader community.

The project has been coordinated by the City of Vancouver, and funded by Vancouver Coastal Health, the Vancouver Agreement and the Ministry of Employment and Income Assistance (MEIA). A Steering Committee with representatives from the City (Community Services Group, Engineering Services), Vancouver Coastal Health Authority, MEIA and BC Housing, oversaw the project and worked with the proponent, the Vancouver Area Network of Drug Users (VANDU), to implement the pilot. The pilot is complete and the evaluation is being finalized and will be reported to Council.

As well, Housing Centre staff has worked with Employee Health and Safety to co-sponsor information sessions for City staff working in the downtown core with environmental health and pest control experts.

D.3. SRO Management Training Program

The SRO Managers' Training Program is one of the initiatives recommended by the Vancouver Agreement Housing Task Team (VAHTT) as a way to improve management of SRO hotels, thus improving relationships between landlords and tenants, and increasing liveability standards of SRO tenants.

To date, four sessions of training have been held under the auspices of the Vancouver Agreement with a total of 40 students having participated in the program. The program has been reasonably successful, and feedback from the participants has been positive.

Currently, VAHTT is working to develop a more targeted curriculum that will focus on the maintenance of older type buildings typical of the Downtown Eastside SROs, the management of SRO tenants and their challenges, as well as dealing with social issues inherent in living in the DTES.

D.4. SRO Pilot Project

The SRO Pilot Project is another initiative of the VAHTT. The objective is to work in partnership with motivated hotel owners/operators to improve living conditions in SRO hotels in the Downtown Eastside. The project consists of four areas of support:

- Building Improvements;
- Hotel Accommodation Supplement;
- Tenant Support Services; and
- Guaranteed access to the SRO Management Training Program.

The Silver/Avalon Hotel was the first pilot SRO hotel to initially participate in this program. It resulted in significant improvements to 89 SRO rooms and provided on-site tenant support services to those with extra needs. Some of the hotel staff members also received SRO management training.

The City is part of the VAHTT which is working to select another SRO hotel to participate in a similar partnership. Finding another hotel is proving to be difficult and the program is under review.

D.5. Eighty Square Foot Minimum per Bed

To avoid overcrowding in SRO rooms, both the HAP and the Downtown Eastside Housing Plan recommended the minimum number of square feet per bed be increased to 80 from 50 in the Standards of Maintenance Bylaw. This will address the issue of SRO conversions to backpacker like accommodation. This will be incorporated in amendments to the Standards of Maintenance By-law which will be reported separately to Council by the Licenses and Inspections Department.

FINANCIAL IMPLICATIONS

Should Council direct staff to search for a hotel where use of Section 23 of the Standards of Maintenance By-law would be appropriate, staff will report back regarding the financial implications.

A request for a grant of \$35,000 for tenant services, to be matched by BC Housing, will form part of the 2007 Operational Budget considerations.

PERSONNEL IMPLICATIONS

There are no personnel implications

CONCLUSION

SRO hotels are currently a fundamental part of the housing stock in the city. The City policy is to replace this type of housing with new social housing units over the long term. This policy direction will require financial and program support from senior levels of government.

Given the age and condition of the SRO buildings, the marginal economics of running them, and development pressures, they are increasingly vulnerable to closure or disinvestment. This report discusses City actions in four areas that will help maintain the stock in the short term. City staff will continue to pursue all opportunities to work with provincial and federal counterparts to address both the short and long-term housing needs of low-income residents in the Downtown core. As well low-income housing opportunities need to be created across the city and region.

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