



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: 26 June 2007
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Meeting Date: July 10, 2007

TO: Vancouver City Council

FROM: The Director of the Housing Centre

SUBJECT: Selection of Non-Profit Housing Operator for 788 Richards Street (Replacement for the Passlin Hotel); and Lease and Legal Arrangements for Air Space Parcel for 788 Richards Street.

RECOMMENDATION

- A. THAT Council approve Coast Foundation Society as the Non-Profit Housing Operator for 788 Richards Street;
- B. THAT Council approve leasing the non-market housing air space parcel at 788 Richards Street to Coast Foundation Society for 60 years at a nominal rent and in accordance with the terms and conditions described in this report, as well as such other terms and conditions satisfactory to the Directors of the Housing Centre and Legal Services;
- C. AND THAT no legal rights or obligations will arise or be created until all legal documentation is prepared and fully executed on terms and conditions to the satisfaction of the City's Director of Legal Services.

(The grant implied by the nominal prepaid ground rent requires the approval of eight members of Council)

GENERAL MANAGER'S COMMENTS

The General Manager of Community Services recommends APPROVAL of A through C.

COUNCIL POLICY

The City's housing priorities are for low and modest income families with children; seniors on fixed incomes or in need of support; Single Room Occupancy (SRO) hotel residents; and the mentally ill, physically disabled, and others at risk of homelessness.

In May 1991 when dealing with housing strategies for Downtown South, Council instructed the Housing Centre to monitor core-need housing in the Downtown South on a periodic basis. Council also confirmed their policy of one-to-one replacement of Single Room Occupancy (SRO) units in Downtown South.

In October 2001 Council enacted the Single Room Accommodation By-law to regulate the conversion and demolition of single room accommodation. This By-law requires Council approval for the demolition of single room accommodation, and also allows Council to attach conditions to the approval of a permit to convert or demolish single room accommodation.

On October 5, 2004 Council approved the following motions respecting 788 Richards Street:

- A. THAT, subject to approval by the Development Permit Board of DE 408641, Council supports the relaxation of floor space ratio (FSR) in the amount of 9 256.5 m² (99,639 sq. ft.) for 788 Richards Street, consisting of bonus floor space for market residential use (6 967.5 m² [75,000 sq. ft.]) and floor space whose use will be restricted to low cost housing (2 289 m² [24,639 sq. ft.]), as defined by and provided for under Section 3(11) of the Downtown District Official Development Plan.
- B. THAT, subject to approval by the Development Permit Board of DE 408641, Council authorize expenditure of \$720,000 towards the development of the social housing component in 788 Richards Street, to be paid upon conveyance of the air space parcel for the low cost housing to the City, the source of funds being the City-wide Development Cost Levies allocated for replacement housing.
- C. THAT, subject to approval by the Development Permit Board of DE 408641, City Council approve a Single Room Accommodation Permit for 746 Richards Street (Passlin Hotel) to demolish all 43 rooms in the hotel on the condition that the owner proceeds with the construction and conveyance of 46 low cost housing units to the City as outlined in the Administrative Report 788 Richards Street: SRA Permit Application for the Passlin Hotel (746 Richards Street) and Replacement Non-market Housing dated September 22, 2004.
- D. THAT the Director of Legal Services be authorized to prepare, execute and register such agreements as necessary, noting that Council approval of these resolutions shall not create any legal rights or obligations and none shall arise until the Purchase and Sale Agreement and all other necessary legal documentation has been fully executed on terms and conditions to the satisfaction of the Director of Legal Services, and noting that staff will recommend that the execution of the legal documentation also be a prior-to condition for the issuance of DE408641.

SUMMARY AND PURPOSE

Construction of the l'Hermitage en Ville development at 788 Richards Street is underway by Millennium Robson Properties (Millennium). Forty-six (46) units are being provided to the City of Vancouver for social housing as a replacement for the former 43-room Passlin Hotel which occupied the north end of the site. This arrangement was approved by Council in October 2004.

A proposal call was undertaken to find a non-profit housing sponsor for the social housing component of the project. Five responses were received, and this report seeks Council approval of the recommended sponsor of the non-market housing project. Selection of the sponsor will begin the process of finalizing the operating budget, selecting tenants, and other

issues related to the project, as all matter of design are settled (construction of the building is underway and completion is scheduled for late fall 2007).

BACKGROUND

In 2004 negotiations occurred between City staff and the owners of the site at 788 Richards Street related to demolition of the existing Passlin Hotel under the terms of the SRA By-law. Discussions led to a proposal where the developer would receive bonus floor space of approximately 6 967.5 m² (75,000 sq. ft.) of market development and \$720,000 in return, for which 46 units of new low-cost housing would be built (43 replacement units + 3 additional units to be paid for by the City). The proposal enabled the City to exceed the one-for-one replacement objectives for SRAs in the Downtown area.

Invitations for submissions to designate a housing sponsor were sought through an RFP (Request for Proposals) issued to a number of societies in February 2006. The original deadline of March 31, 2006 was extended to May 1, 2007 to provide more information and response time for the societies.

Five non-profit housing societies responded:

1. Coast Foundation Society;
2. Affordable Housing Society;
3. 127 Housing Society;
4. PHS Community Services Society; and
5. McLaren Housing Society (partial submission, expressing an interest in partnering with another society).

DISCUSSION

The four societies who submitted complete submissions were interviewed by Staff of the City and BC Housing.

Evaluation and Section of Sponsor: The four complete proposals were assessed on the basis of meeting specified objectives which were set out in the "Request for Submissions":

- Roles and responsibilities of the society (role of the society in the operation and management of the project, maintenance of an organized corporate society, maintenance of the housing project and maintenance of the housing project finances);
- Maximizing the percentage of units occupied by individuals and couples whose maximum incomes are at core need levels or less, and who cannot pay rents greater than the shelter component of income assistance (rents at 30% of gross household income, or \$325 month whichever is greater [noting that income assistance has now increased to \$375 a month]);
- Ability to operate the project on a break-even basis, i.e., without ongoing operating subsidies;
- Project oversight from BC Housing;
- Tenant selection, rent levels, and annual reporting;
- Overall management and projected client served; and
- Relationship with the adjoining market project.

The fifth submission was not complete, and consequently the society was not interviewed.

Recommended Sponsor Selection: It was the joint conclusion of Staff from the City and BC Housing that Coast Foundation Society (Coast) be awarded the lease for 788 Richards Street, as providing the experience and ability to operate within the stipulations of the lease and respond to the needs of the anticipated resident group; (Coast employs 190 full-time employees within their society which will be utilized to maintain the building at 788 Richards Street).

Coast has extensive experience with projects involving both independent and supportive living environments, providing housing for 600 people in eight projects, as well as 11 community homes and two drop-in operations, one of which is located in Downtown South. In the Downtown area, Coast places their clients and provides services to Candela Place at 1267 Granville Street (in conjunction with MCC Housing), Seymour Place at 1221 Seymour Street (with the Affordable Housing Society), and Granville Residences at 1261 Granville Street (with the City).

Coast's submission is designed to have the 46-unit project self-funded. The budgeted rent revenues are projected with the following unit designations:

- 37 units with a rent of \$375, or 30% of income (whichever is greater);
- Average of 7.5 units for seniors at a rent of \$700 per unit (Safer Grant tenants); and
- One unit for a part-time Resident Manager.

The Resident Manager would perform duties on a half-time basis and the need for this service would be evaluated at the end of the first year. The Resident Manager is seen by Coast as a key measure to encouraging "a smooth transition for tenants settling in and the development of a safe community which respects the property. All Coast apartment 'blocks' have a Tenants' Council to discuss building rules problems and community building activities."

If City Council formally accepts Coast as the sponsor, Coast would work with City and BC Housing Staff to select and interview tenants from the target group (Downtown South SROs), with first priority given to Passlin Hotel residents. Tenants would then be identified and selected based on housing need from the neighbourhood. Coast would then work with all new tenants in arranging for their move-in, identification of household needs such as utensils and small appliances, and with the transition period to the new housing.

Next Steps: The selection of the non-profit society is one of several steps that must be undertaken. The non-market housing component consists of an air-space parcel which is to be leased to the Non-Profit Housing Sponsor for 60 years, after which time the project would revert to the City. Details of the arrangement between the non-market project and the adjoining strata corporation need to be finalized, as well as the terms of the lease between the City and the housing sponsor. BC Housing has agreed to oversee the ongoing day-to-day operation of the project and the Society and BC Housing will enter into an operating agreement that sets out the operating protocols.

Lease to Coast Foundation Society: The air space parcel will be leased to the Foundation in accordance with the standard terms and conditions agreed to between the City and BC Housing for social housing development:

1. Term of 60 years;
2. Prepaid lease rent will be nominal (estimated value of the 46 housing units is \$5,765,000);
3. Lessee to pay for all utilities, property taxes, insurance, etc.;
4. Priority for the relocation of former tenants of the Passlin Hotel, subject to assessment of the tenant's present needs and priority for residents of Downtown South SROs;
5. Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager; and
6. Such further and other terms as are acceptable to the Director of the Housing Centre and the Director of Legal Services. No legal obligation shall arise or be created until execution of the lease to the satisfaction of the Director of Legal Services.

FINANCIAL IMPLICATIONS

There are no financial implications. The project will be operated on a breakeven basis, i.e., rental revenues will cover all operating costs and operating subsidies will not be required.

CONCLUSION

The Director of the Housing Centre recommends that the Coast Foundation Society be awarded the lease for the 46 unit non-market housing project at 788 Richards Street.

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