



CITY OF VANCOUVER

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ADMINISTRATIVE REPORT

Report Date: January 11, 2008
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TO: Vancouver City Council

FROM: The Director of the Housing Centre, in consultation with the
Director of Real Estate Services

SUBJECT: Purchase and Lease of the Woodward's Non-Market Housing Air Space
Parcels

RECOMMENDATIONS

- A. THAT Council authorize the Director of Real Estate Services to acquire from 101 West Hastings Holding Ltd. for nominal consideration a parcel of land which forms a part of the Woodward's redevelopment at 101 West Hastings Street, which parcel is legally described as Parcel Identifier: 027-339-173, Air Space Parcel 2, Block 4, Old Granville Townsite, Air Space Plan BCP33982 (the "Singles Non-Market Air Space Parcel").
- B. THAT Council authorize the Director of Real Estate Services to lease the Singles Non-Market Air Space Parcel to PHS Community Services Society (Society) by way of a ground lease for a term of 60 years at a nominal (\$10.00) prepaid rent, which ground lease will require that the society construct and operate non-market housing for the benefit of single persons and will otherwise be on the terms and conditions set out in this report.
- C. THAT Council authorize the Director of Real Estate Services to acquire from 101 West Hastings Holding Ltd. for nominal consideration a parcel of land which forms a part of the Woodward's redevelopment at 101 West Hastings Street, which parcel is legally described as Parcel Identifier: 027-339-181, Air Space Parcel 3, Block 4, Old Granville Townsite, Air Space Plan BCP33982 (the "Family Non-Market Air Space Parcel").

- D. THAT Council authorize the Director of Real Estate Services to lease the Family Non-Market Air Space Parcel to Affordable Housing Charitable Association (Association) by way of a ground lease for a term of 60 years at a nominal (\$10.00) prepaid rent, which ground lease will require that the Association construct and operate non-market housing for the benefit of families and will otherwise be on the terms and conditions set out in this report.
- E. THAT Council authorize the Director of Real Estate Services to secure the City's financial contribution to the construction of the non-market housing referred to in Recommendations B and D by way of a second mortgage charging the tenant's leasehold interest under the ground lease in each case, the terms and conditions of such second mortgage to be as set out in this report.
- F. THAT the Director of Legal Services be authorized to prepare and execute the necessary legal documentation for the above transactions on term and conditions to the satisfaction of the Director of Legal Services, noting that no legal rights or obligations shall arise or be created until all documentation is fully executed 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

Council's social housing objectives are to: Maintain and expand housing opportunities in Vancouver for low and modest income households with priority being given to families with children; seniors on fixed incomes or in need of support; SRO residents; and the mentally ill, physically disabled, and others at risk of homelessness.

The Housing Plan for the Downtown Eastside established a 1-for-1 replacement policy for the low-income housing in the area, and policies to encourage the development of market housing (market rental, condominium, live-work).

PURPOSE

This report recommends that Council approve the acquisition of the two airspace parcels in Woodward's designated for non-market housing, and approve the lease of one air space parcel to PHS Community Services Society for non-market housing for singles and the lease of the other air space parcel to Affordable housing Charitable Association for families.

BACKGROUND

In March 2003, the City purchased the Woodward's building (101 West Hastings Street) with the intention of redeveloping the site to create an inclusive community that would be part of the revitalization of the Downtown Eastside.

In September 2004, Council selected Westbank Projects Corp./Peterson Investment Group as the developer for the Woodward's redevelopment.

In January 2005, Council selected the Affordable Housing Charitable Association as the non-profit sponsor for 75 units of family non-market housing and PHS Community Services Society as the non-profit sponsor for the development of 125 units of singles non-market housing in the Woodward's redevelopment.

In September 2005, Council approved the development concept and funding arrangements for the Woodward's redevelopment, including a \$7,000,000 City contribution towards the cost of constructing the 200 units of non-market housing in Woodward's.

DISCUSSION

The redevelopment of Woodward's is well underway and scheduled for completion in the fall of 2009. The contracts for the construction of the two non-market housing components are in place with a maximum upset price of \$48,000,000. The City is contributing \$7,000,000 towards the cost of construction, and the Federal and Provincial governments are investing \$20.5 million each.

The air space subdivision for Woodward's has now been created and the two air space parcels for the Affordable Housing established. The City can now purchase the air space parcels, and lease them to the two non-profit housing sponsors. Both the purchase price for the airspace parcels and lease payments would be nominal. The two airspace parcels will be leased to the non-profit sponsors for 60 years on the standard terms and conditions for non-market housing ground leases. The sponsors will be responsible for all costs associated with the operation of the non-market housing including all utilities, insurance, property taxes, etc. The City will also register mortgages, charging the tenants leasehold interest under the ground lease on each of the air space parcels, to secure the \$7,000,000 in capital funding that it is providing to the projects in addition to the nominal leases.

Once the leases to the non-market housing sponsors have been registered, BC Housing can register its mortgages which will allow BC Housing to advance the Federal and Provincial construction funding. BC Housing will provide any operating subsidies required for the non-market housing. The sponsors will enter into a 60-year Operating Agreement with BC Housing which will set out the terms and conditions under which they will operate the buildings.

It is recommended that Council approve the purchase and lease of the non-market housing parcels in the Woodward's redevelopment, and authorize the Director of Legal Services to execute the legal documentation related to the purchase of the two airspace parcels from 101 West Hastings Holding Ltd., and for the for the ground lease of the Singles Non-Market Air Space Parcel to PHS Community Services Society and the ground lease of the Family Non-Market Air Space Parcel to Affordable Housing Charitable Association.

FINANCIAL IMPLICATIONS

There are no financial implications.

CONCLUSION

The redevelopment of Woodward's has reached the stage where the airspace subdivision has now been completed, and the City can now purchase the non-market housing airspace parcels and lease them to the non-profit housing sponsors who will operate the non-market housing. The report recommends that approval to purchase and lease the two airspace parcels, and that the Director of Legal Services be authorized to execute the necessary legal documents on the City's behalf.

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