

Report Date: September 28, 2010
Contact: Michael Flanigan
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RTS No.: 8900
VanRIMS No.: 08-2000-20
Meeting Date: October 5, 2010

TO: Vancouver City Council

FROM: Director of Real Estate Services in consultation with General Manager of Engineering Services and Assistant Director of Social Infrastructure

SUBJECT: Lease - Dunlevy Avenue between Pender Street and Keefer Street to Mau Dan Gardens Cooperative Housing Association at 350 Pender Street

RECOMMENDATION

- A. THAT Council approve the renewal of a lease for the portion of Dunlevy Avenue between Pender Street and Keefer Street, described as That portion of Dunlevy Avenue, adjacent to Lot C, Block 122, District Lot 196, Plan 13208, Group 1, New Westminster District, for a 5 year term, subject to 1 year notice of cancellation, effective July 1, 2010 with a total rental rate of \$19,670.00 per annum to Mau Dan Cooperative Housing Association ("Mau Dan").
- B. THAT Council approve a grant in lieu of rent in the amount of \$14,670.00 per annum, leaving a net annual rent payable by Mau Dan of \$5,000.00.

No legal rights or obligations shall arise or be created until all documents are fully executed to the satisfaction of the Director of Legal Services.

GENERAL MANAGER'S COMMENTS

The General Managers of Business Planning and Services and Engineering Services and the Assistant Director of Social Infrastructure recommend the foregoing.

COUNCIL POLICY

Vancouver City Council at its regular meeting on May 30, 2005 approved a 5 year lease at a rate of \$10,582.00 per annum, subject to a grant in lieu of rent of \$6,582.00 for a net below-market rent of \$4,000.00 per annum to the Mau Dan.

Rent established at a below market rate constitutes a grant, and as such requires eight (8) affirmative votes from Council.

PURPOSE

The purpose of this report is to seek Council approval for the renewal of a lease at below market rent for the portion of Dunlevy Avenue between Pender Street and Keefer Street, being That portion of Dunlevy Avenue, adjacent to Lot C, Block 122, District Lot 196, Plan 13208, Group 1, New Westminster District (outlined in bold in Appendix A) leased to Mau Dan, for a term of 5 years subject to 1 year notice of cancellation.

By agreeing to a below market rent, Council will be conveying a financial benefit to Mau Dan. While no funding is required for this financial benefit, a subsidized rental rate (i.e. rent established at a below market rate) constitutes a grant in lieu of rent and must be specifically approved by Council through eight (8) affirmative votes.

Therefore, this report also seeks approval from Council for a \$14,670.00 per year grant in lieu of rent, allowing the Mau Dan to pay a below market rent of \$5,000.00 per year for the term of the lease.

BACKGROUND

In April 1995, Council resolved to close, stop up and lease that 10,032 sq. ft. portion of Dunlevy Avenue between Pender Street and Keefer Street, to Mau Dan to allow for the installation of fencing around their property to improve security. The closure received the support of residents in the community, the Police, Planning and Engineering Services departments.

The portion of closed road was leased to Mau Dan for 5 years at a rent of \$4,000.00 per year to compensate the City for alienating the road from public use.

In the summer of both 2000 and 2005, the Mau Dan, citing the importance of the closed road for maintaining safety and security and their difficult financial position, requested the City to renew the lease at the same annual rent. On both occasions, Council again supported the Mau Dan and staff recommendations to renew the lease for a further 5 year term at the same below-market value rate.

In 2005, market value rent was estimated at \$10,582.00, subject to a grant in lieu of rent of \$6,582.00 for a net below-market rent of \$4,000.00 per year.

CURRENT SITUATION

Mau Dan, citing the importance of the closed road for maintaining safety, security, privacy, and marketability, and facing considerable financial challenges related to major building envelope remediation work, again request the City to renew the lease at the previous rate of \$4,000.00 per year. The reasons for the request are explained in the September 21, 2010 letter attached (Appendix B).

Review of current rental rates in the vicinity suggest fair market rent for the closed portion of road to be \$19,670.00 per year. Given the increase in market rents since 2005, Real Estate Services staff recommends the Dunlevy Avenue lease be renewed at a below market rent of \$5,000.00 per year, with the remaining \$14,670.00 per year reflecting a grant in lieu of rent.

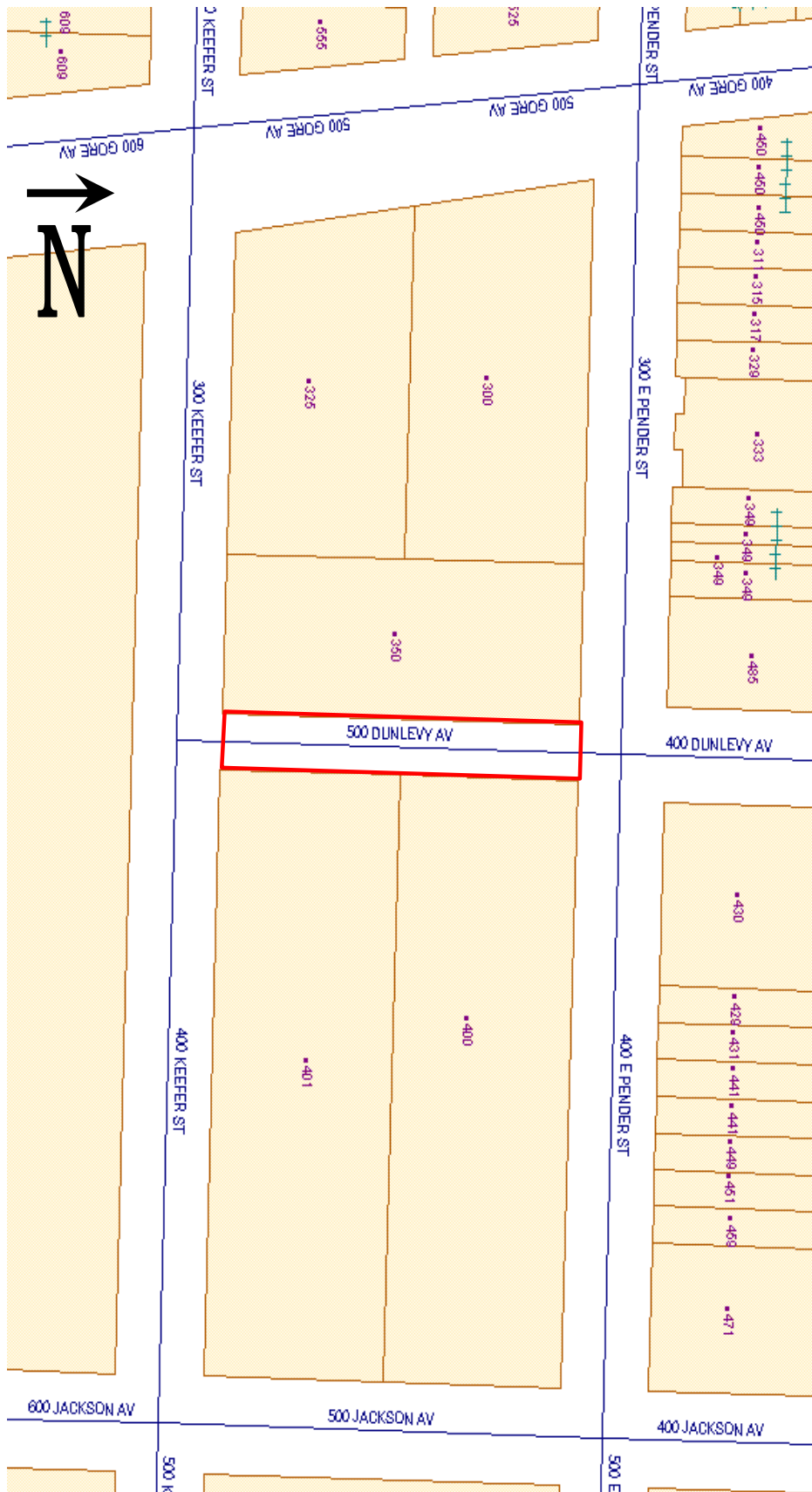
CONCLUSION

The General Manager of Engineering Services and Assistant Director of Social Infrastructure support the renewal of the lease with similar terms and conditions as the existing lease, with two additional clauses:

1. Term Clause: five (5) years, subject to a one (1) year notice of cancellation.
2. Easement Clause: Access to underground utilities beneath Dunlevy Avenue between Pender Street and Keefer Street, including Telus, B.C. Hydro, sewer and water lines, be provided to the City and outside utility companies.

The Director of Real Estate Services concurs with these additional clauses, and recommends the Dunlevy Avenue lease be renewed at a below market rent of \$5,000.00 per year and the request for an annual grant of \$14,670.00 in lieu of rent be approved.

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MAU DAN GARDENS CO-OPERATIVE HOUSING ASSOCIATION

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September 21, 2010

Andrew Newman
Property Negotiator, Real Estate Services
City of Vancouver
453 West 12th Avenue
Vancouver BC V5Y 1V4

By email - andrew.newman@vancouver.ca

Dear Mr. Newman:

Re: Lease of Dunlevy Ave between Pender and Keefer Streets

I write on behalf of Mau Dan Gardens Housing Co-op to ask that the lease regarding the portion of Dunlevy Avenue, between Pender and Keefer, having expired on June 30, 2010, be renewed at the current rate of \$4000 a year.

There are two issues to address: the importance of this lease to the safety and viability of our housing co-op; and the importance of the continuing affordable lease rate for Mau Dan as a non-profit housing association.

We are finalizing the financing with CMHC and the City of Vancouver for major building envelope and roof repair worth \$16 million and our finances are strained. In order to fulfill requirements from both the City and CMHC we need to keep our housing affordable to families and seniors and would be unable to meet a higher lease fee. We ask the City to renew the Dunlevy lease at its current rate as we move forward with the costly repair.

When we first negotiated the Dunlevy lease and erected our perimeter security fence, the co-op and surrounding neighbourhoods were beset by a major volume of street drug trafficking and sex trade that spilled into and throughout our grounds. The common areas had all but been abandoned and members continuously encountered drug users shooting up on their doorsteps, laneways and parkade entrances.

After the installation of the fence in 1995/6 our situation improved dramatically. The grounds were safe for children's ball playing and bike riding and for seniors' fresh air walkabouts. The Garden committee was reinvigorated and set to improving the grounds and the Membership committee has been able to attract more members willing to take the risk to live in our neighbourhood.

牡丹園房屋合作社

NHÀ HỘP TÁC CÔNG VIÊN MÃ ĐÓN

Nevertheless, outside the gates, the street-level trade still rages. If Mau Dan is open to them as it was before the fence, much of this trade would again find its way into our premises and through to the surrounding neighbours. The benefits of the security fence are clear and we appreciate the long-time support for Mau Dan in maintaining the fence from the City.

Mau Dan Housing Co-operative is made up of 124 co-op units; 52 in an apartment block and 76 townhouses. With over 300 residents, Mau Dan boasts one of the highest numbers of seniors in any Vancouver co-op; we house growing families with young children attending Strathcona Elementary school; we house single adults. We have a solid cultural mix including members of Chinese, Vietnamese, Korean, English-Canadian and French-Canadian backgrounds. We have a mortgage with CMHC and approx. 45% of our members require federal housing subsidy in order to pay the low-end of market housing charges.

Our co-op is in a crucial position as we work to balance a yearly operating budget of \$1.4 million with the future demands of a \$16 million renovation project. The level of safety and security provided by the fence, of which the Dunlevy lease is an integral part, is crucial to our ability to attract members willing to share the burden.

We therefore request that City Council continue to assist Mau Dan in managing this lease which is vital to the continued viability of our housing complex which, in turn, is an important component of the affordable housing stock in the Downtown Eastside, Strathcona and Chinatown neighbourhoods. We ask that the City maintain our lease for the use of Dunlevy Ave between Pender and Keefer at the current rate of \$4000 a year.

Thank you for your consideration.

Yours truly,

by email

Teresa Vandertuin
for Board of Directors
and the members of Mau Dan Gardens Co-operative Housing Association