



ADMINISTRATIVE REPORT

Report Date: October 19, 2010
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Meeting Date: November 2, 2010

TO: Vancouver City Council

FROM: Managing Director of Social Development

SUBJECT: Change to Lease Terms and Waiver of Rent in Lieu of Taxes for 1601 West 7th Avenue - Supportive Housing

RECOMMENDATION

- A. THAT Council approve an amendment to the lease terms for 1601 West 7th Avenue to permit the sublease of the Social Service Centre to be between Katherine Sanford Housing Society and the MPA Society, who will operate the Social Service Centre within this Supportive Housing development.
- B. THAT Council approve the waiver of rent in lieu of taxes for this City-owned site during the construction period; and extend the exemption of the Social Service Centre portion from property taxes after completion (in the form of rent-in-lieu of taxes) for as long as the centre continues to be used to provide social services funded in whole or part by the Province or provincial agencies, and the centre is designated by BC Assessment as Class 3 for property tax calculation purposes.

The waiver of rent in lieu of taxes for this City-owned site constitutes a grant and must be approved by the affirmative vote of not less than 8 members of Council.

GENERAL MANAGER'S COMMENTS

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

COUNCIL POLICY

Council approved a Memorandum of Understanding (MOU) between the City and BC Housing on December 19, 2007, regarding the development of social and supportive housing. Twelve (12) City-owned sites are included in this partnership, including 1601 West 7th Avenue. According to the MOU, taxes (or rent in lieu of taxes) for these City owned sites are to be waived for the

60 year term of the lease. The waiver constitutes a grant and requires 8 affirmative votes of Council.

On July 8, 2008, Council approved a request for increased floor space to accommodate a Social Service Centre on this site.

On Sept 30, 2008 Council approved Lease Terms and other arrangements including a sublease of the Social Service Centre on the 1st and 2nd floors of the Non-Market Housing Project. These terms stipulated that the sublease be between Katherine Sanford Housing Society and BC Housing, for the 60 year term of the ground lease less one day at nominal rent, for the purpose of providing services to individuals with mental illness.

On May 19, 2009 Council approved revised Lease Terms for the 12 Supportive Housing Sites approving the Provincial Rental Housing Corporation as the alternative lessee for these sites.

PURPOSE

The purpose of this report is to obtain authorities required to amend lease terms to better reflect the relationship between non-profit societies who will be operating on this site. The report also recommends Council approval to exempt the entire site from rent-in-lieu of taxes during the construction period; and to extend the exemption of the social service centre portion from property taxes after completion (in the form of rent-in-lieu of taxes) for as long as the centre continues to be used to provide social services funded in whole or part by the Province or provincial agencies, and the centre is designated by BC Assessment as Class 3 for property tax calculation purposes. This latter exemption is recommended because the social service centre is integral to the supportive housing use approved for the rest of the building and because the Memorandum of Understanding of December 2007 intended this centre to have such an exemption.

BACKGROUND

The City purchased the site at 1601 West 7th Avenue in 2005 for social housing.

In December 2007, Council approved the City/Province Social and Supportive Housing Partnership which included leasing the site to a non-profit housing sponsor for 60 years at nominal rent. The Partnership agreement included an outline of the proposed project as follows:

- 70 +/- studio units, with a third to a half of the units to be occupied by persons with a mental illness; all units will be tenanted by core-need singles with a priority for those living in Fairview and Kitsilano; and
- The Motivation, Power and Achievement Society's mental health drop-in centre on the first and second floor of up to 10,000 ft.².

Katherine Sanford Housing Society (KSHS) was announced as the housing sponsor for the site at the end of January 2008, following a request for submission of proposals from BC Housing. Respondents were evaluated by staff from BC Housing and the City's Housing Centre. KSHS is a non-profit housing organization, founded in 1989, with a mandate "to provide quality supported housing to persons with mental illness and/or addictions".

Motivation, Power and Achievement Society (MPA) will operate the social service centre or community resource centre (CRC). MPA is a non-profit organization, founded in 1971, with a mission "to inspire hope and recovery for individuals with mental health issues". In addition to housing over 400 people throughout Vancouver, MPA has operated a CRC on West 4th Avenue for the past 21 years, which will be relocated to this project as their lease of their current premises is coming to an end. The CRC offers opportunities for social interaction, a meal program, peer counseling and assistance in accessing community resources. The MPA will manage the CRC, and provide support services to all residents, including those with mental illness, with priority given to those living in Fairview and Kitsilano.

This is a partnership with BC Housing, the City of Vancouver, Vancouver Coastal Health (VCH), KSHS and the MPA Society. VCH will contribute support services to the MPA, for the CRC and the supportive housing.

DISCUSSION

At the time the lease terms were brought forward there was an expectation that the Social Service Centre /Community Resource Centre would be leased by BC Housing, who would then assign the sublease of all or part of the Centre to another non-profit society on the same terms and conditions as its sublease from KSHS. The assignment of the sublease was considered acceptable provided that all uses in the Centre remained consistent with the social service development permit for the Centre and remained compatible with the supportive housing project on this site. BC Housing and the Managing Director of Social Development have approved MPA as the service provider to occupy all of the Social Service Centre. Since the lease terms were originally approved, BC Housing has indicated that it does not wish to enter into a sublease which it would later have to assign to a non profit society, but instead has advised of its preference for Katherine Sanford Housing Society to sublease directly to MPA Society. Staff support this approach as it more closely reflects the relationship between the two societies as they will function on a day to day basis on this City-owned site.

Construction on this site is expected to start in the very immediate future and be complete by the first quarter of 2012. Once operational, it is BC Housing's expectation that the entire property, including the social service centre, will be designated by the Province as Class 3 - Supportive Housing which will be subject to special valuation rules that reduce the assessed value of the property to a nominal amount and therefore effectively exempt the site from property taxes.

In September 30, 2008, Council approved the exemption of the residential portion of the project from property taxes (in the form of rent-in-lieu of taxes) for the entire lease term as long as the property continues to provide supportive housing for the homeless and as long as BC Housing continues to provide operating subsidies.

This report recommends Council approval to:

- exempt the entire site from rent-in-lieu of taxes during the construction period; and
- extend the exemption of the Social Service Centre portion from property taxes after completion (in the form of rent-in-lieu of taxes) for as long as the centre continues to be used to provide social services funded in whole or part by the Province or provincial agencies, and the centre is designated by BC Assessment as Class 3 for property tax calculation purposes.

This latter exemption is recommended because the Social Service Centre is integral to the supportive housing use approved for the rest of the building and because the Memorandum of Understanding of December 2007 intended this centre to have such an exemption.

FINANCIAL IMPLICATIONS

Based on the 2010 assessed land value (\$4.6 million) and BC Housing's estimated capital cost of the property (\$13.4 million):

- during construction and until the property receives its Class 3 - Supportive Housing designation, the amount of forgone rent-in-lieu of taxes for the entire property is estimated at \$75,700 to \$85,000 per year (2010 \$)
- once the property is designated as Class 3 - Supportive Housing, the amount of forgone municipal general purpose tax levy for the entire property is estimated at \$38,600 per year (2010 dollars)..

CONCLUSION

The Managing Director of Social Development recommends approval of terms facilitating a sublease from Katherine Sanford Housing Society to MPA society for the Social Service Centre space at 1601 West 7th Avenue, and the waiver of rent in lieu of taxes, consistent with the Memorandum of Understanding between the City of Vancouver and BC Housing for Social and Supportive Housing.

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