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ADMINISTRATIVE REPORT

Report Date: November 29, 2010
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Meeting Date: January 18, 2011

TO: Vancouver City Council
FROM: Managing Director of Social Development
SUBJECT: Lease Terms and Other Arrangements for Social and Supportive Housing at 215 West 2nd Avenue (one of 14 sites)

RECOMMENDATION

THAT subject to the satisfactory conclusion of rezoning conditions and the enactment of the CD-1 By-law for this site, Council authorize the Director of Real Estate Services to lease City-owned lands located at 215 West 2nd Avenue, legally described as PID: 011-069-651 (Lot 9), PID: 011-069-678 (Lot 10) and , PID: 011-068-515 (Lot 11), all of Block 4, DL 302, Plan 5832) (the "Lands") by way of ground lease to the Katherine Sanford Housing Society ("KSHS") to enable the development of a non-market housing project, which ground lease will provide for:

- i) a term of 60 years;
- ii) a nominal prepaid rent; and
- iii) a waiver of rent in-lieu of property taxes for the term of the lease for the site, including the construction period, as long as it continues to provide supportive housing for the homeless and as long as BC Housing continues to provide operating subsidies;

and otherwise will be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Managing Director of Social Development, the Director of Real Estate Services and the Director of Legal Services.

The lease, at nominal rent and a waiver of rent in-lieu of property 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 Managers of Business Planning and Services and Community Services recommend APPROVAL of the foregoing recommendations. The 14 site partnership between BC Housing and the City of Vancouver is key to the City achieving its goal to end street homelessness by 2015 as well as the City's broader housing goals. The March 2010 Homeless Count undertaken by the City has allowed us to identify the specific locations in the City of our street and sheltered homeless. This partnership with BC Housing where the City has provided the sites across various communities will allow us to work with BC Housing and non-profits to house individuals as close to their social networks as possible.

COUNCIL POLICY

It is Council policy to purchase privately-owned sites for non-market housing projects and lease them to non-profit societies or co-operative associations for 60 years. A 60 year lease is valued at 75% of freehold market value.

Council's priorities for social housing 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.

In March 2007 Council approved in principle, making 12 or more City sites available at no cost for the development of 1500 or more supportive housing units for low income singles, including those with mental health and addiction issues, by leasing the City-sites to non-profit sponsors of supportive housing for the development and operation of supportive housing for 60-year terms and nominal prepaid rents.

Council approved the Supportive Housing Strategy in June 2007.

Council approved a Memorandum of Understanding ("MOU") between the City and BC Housing on December 19, 2007, regarding the City/Province Social and Supportive Housing Partnership. Twelve (12) sites are included in this partnership, including the site at 215 West 2nd Avenue. 2 additional sites have also been included in the City/Province homelessness initiative. (See Appendix A)

A lease at nominal rent and waiver of rent in lieu of property taxes for the site constitutes a grant, requiring the approval of 8 members of Council.

PURPOSE AND SUMMARY

The purpose of this report is to obtain authorities required for the ground lease of this site to the Katherine Sanford Housing Society (KSHS) for the development and operation of Supportive Housing.

BACKGROUND

Acquisition: Council approved acquisition of this site for social housing in July 2007. The interim source of funds for the acquisition and remediation costs of this site was the Capital Finance Fund which is to be recovered from the proceeds of SEFC Community Amenity Contributions offered by developers in SEFC private lands rezonings. The present assessed value of the site is \$4,400,000.

The MOU between the City and BC Housing proposed that this site be designed for 100+/- studio units. A third to a half of the 100 units would be occupied by persons with a mental illness and/or substance abuse problem. The City's priority is for all units to be tenanted by core-need singles with a priority for those who are homeless or living in the shelters and (SRO) hotels in Mt. Pleasant and the Downtown Eastside.

On January 20, 2009 following a Public Hearing, Council approved, subject to conditions which the applicant is now working to satisfy, the rezoning of this site to accommodate 147 dwelling units of supportive housing.

The sponsor societies selected by BC Housing for this site are the "Katherine Sanford Housing Society" and the "RainCity Housing and Support Society".

Katherine Sanford Housing Society specializes in housing development and property management while partnering with other non-profits who provide support services. Katherine Sanford will oversee the development of the project and be responsible for its day-to-day management.

RainCity Housing and Support Society is a non-profit charitable organization, offering a broad range of housing and support services for people living with mental illness and/or addictions. RainCity will co-ordinate and provide support services for tenants of the building.

Site and Project Description:

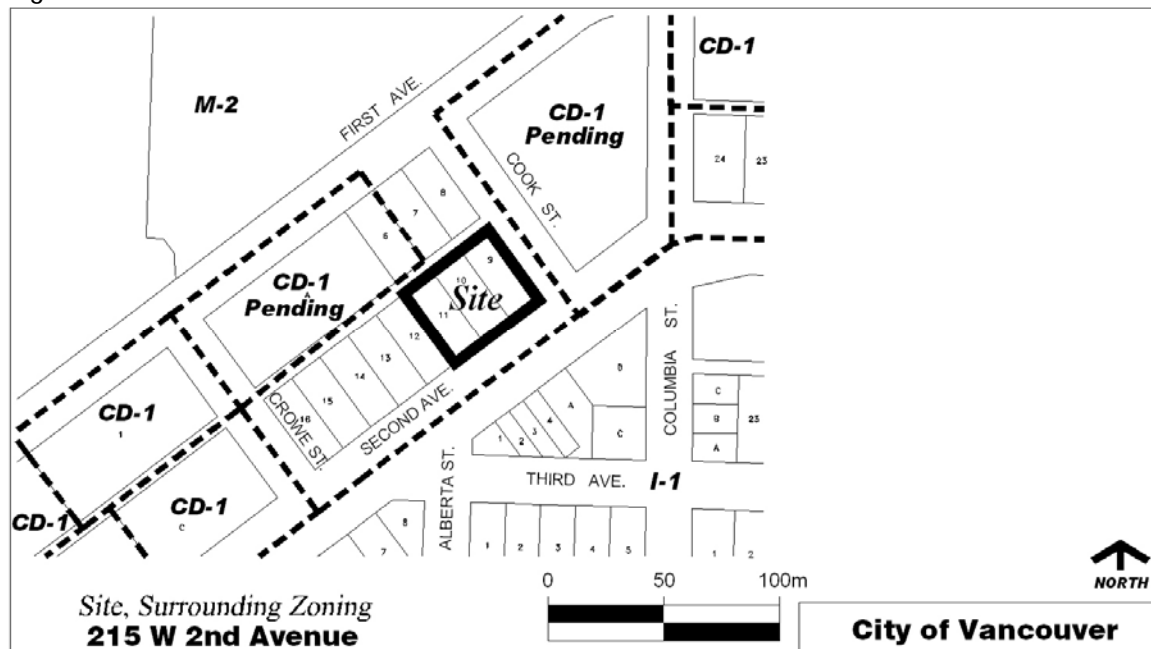
The development proposal consists of the following components:

- 147 dwelling units with a total floor area of 8 098.6 m² (87,175 ft.²), including 3.05.0 m² (7,416 ft.²) of amenity space;
- Office space for Katherine Sanford Housing Society with a total floor area of 399 m² (4,286.7 ft.²);
- A building height of 11 storeys, at 36.6 m (118 ft);
- One level of underground parking for 19 cars;
- One loading bay; and
- Storage for 111 bicycles.

The cost of the project is approximately \$34.2 million excluding land. The approximate cost per unit is \$232,600; or \$262,600/unit including cost of land.

Completion is anticipated in the 2nd Quarter of 2012.

Figure A: location of the site.



DISCUSSION

Ground Lease to Katherine Sanford Housing Society (KSHS): The site will be leased to KSHS in accordance with the standard terms and conditions agreed to between the City and BC Housing for the partnership related to supportive housing, signed in 2007:

1. Term of 60 years;
2. Rent will be prepaid nominal rent;
3. Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager;
4. KSHS will not pay property taxes (in the form of rent-in-lieu of taxes) for the property, in accordance with the MOU approved by Council on December 19, 2007; and
5. Such further and other terms as are acceptable to the Managing Director of Social Development, the Directors of Real Estate Services and Legal Services. No legal obligation shall arise or be created until execution of the lease to the satisfaction of the Director of Legal Services.

The MOU notes that the City as owner of the supportive housing sites will, as a term of the lease, "exempt each Project from property taxes (in the form of rent-in-lieu of taxes) for the term of the lease as long as the Project continues to provide supportive housing for the homeless and those at risk of homelessness and as long as BC Housing continues to provide operating subsidies to the Project." (This assumes a key emphasis on those who are currently street homeless in the vicinity of the site.)

Construction on this site is expected to start in the very immediate future and be complete by the 2nd quarter of 2012. Once operational, it is BC Housing's expectation that the entire property, including the office space, 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.

FINANCIAL IMPLICATIONS

Nominal Rent - The foregone rent on the 60 year lease to KSHS at a nominal rate is valued at \$3.3 million, which represents 75% of the assessed value of the site. This represents a grant and does not involve further City funding.

Rent-in-lieu of Taxes - Based on the 2010 assessed land value \$4.4M (land component) and BC Housing's estimated capital cost of the property (\$34.2 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 \$82,000 to \$162,700 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 \$82,900 per year (2010 dollars).

CONCLUSION

The project at 215 W. 2nd Avenue is a partnership between BC Housing, the City of Vancouver, Katherine Sanford Housing Society and RainCity Housing and Support Society. It is part of the City/Province Supportive Housing Partnership to provide housing for individuals with mental illnesses and/or drug addictions. The lease terms and waiver of rent in lieu of taxes is consistent with the partnership objectives laid out in the Memorandum of Understanding between BC Housing and the City of Vancouver.

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City of Vancouver and BC Housing New Supportive/Social Housing Projects

14 Sites Status Report (as of December 15, 2010)

Projects Under Construction:

	Address	Service Provider	# Units	Construction Start	Estimated Occupancy Date
1	1005 Station	PHS	80	Construction started November 09	January 11, 2011
2	1338 Seymour	More Than a Roof	106	Construction started November 09	2 nd Quarter 2011
3	188 East 1 st	Lookout Emergency Aid Society	129	Construction started December 09	3 rd Quarter 2011
4	337 West Pender	Coast	96	Construction started December 09	2 nd Quarter 2011
5	525 Abbott	Atira	108	Construction started December 09	3 rd Quarter 2011
6	3595 West 17 th	Coast	51	Construction started May 2010	3 rd Quarter 2011

Total Number of Units: Buildings 1-6: 570

Projects under Development:

	Address	Service Provider	# Units	Construction Start	Estimated Occupancy Date
7	1227 Howe	McLaren House	110	Construction starts January 2011	2 nd Quarter 2012
8	1601 West 7th St at Fir	Katherine Sanford/MPA	62	Construction starts December 2010	2 nd Quarter 2012
9	215 West 2nd	RainCity	147	Construction start February 2011	2 nd Quarter 2012
10	1050 Expo Blvd	127/St James Society	89	TBD - discussions ongoing	unknown
11	111 Princess	Portland Hotel Society	139	3 rd Quarter 2011	1 st Quarter 2013
12	1134 Burrard	Kettle Friendship Society	141	2 nd Quarter 2011	2 nd Quarter 2013
13	675-691 East Broadway	Van Native Housing Society	103	1 st Quarter 2012	2 nd Quarter 2013
14	606 Powell	RainCity	146	1 st Quarter 2012	3 rd Quarter 2013

Total Number of Units Buildings 7-14: 937

Complete Total (buildings 1-14): Approximately 1,500