

Refers Item No. 2  
Public Hearing of April 21, 2011

## MEMORANDUM

April 19, 2011

TO: Mayor Robertson and Councillors

COPY TO: P. Ballem, City Manager  
S.A. Johnston, Deputy City Manager  
M. Coulson, City Clerk  
M. Welman, Director of Corporate Communications  
W. Stewart, Assistant Director, Corporate Communications  
D. McLellan, General Manager of Community Services  
B. Toderian, Director of Planning  
F. Connell, Director of Legal Services  
P. Judd, General Manager of Engineering Services  
M. Flanigan, Director of Real Estate Services  
K. Munro, Assistant Director of Planning, Current Planning Division  
A. Bond, Assistant Director of Housing Policy, Social Development

FROM: B. Prosken, Managing Director of Social Development

SUBJECT: CD-1 Rezoning - 1030 Denman Street (Coast Plaza Hotel) - Affordable Housing

At the time of referral of this item to Public Hearing on February 15, 2011, Council adopted the following resolution:

THAT staff, as part of the Public Hearing process, be directed to return with information in relation to the possibility of embedding affordable housing into the development.

This memorandum provides the requested information.

### ***BACKGROUND***

This application proposes the conversion of hotel space to residential use to create 314 new market rental housing units. The total Community Amenity Contribution (CAC) offered by the applicant is \$1,622,000 and Real Estate Services staff have reviewed the applicant's development proforma and staff have recommended that that offering be accepted. The staff report recommended that the CAC be allocated such that \$776,000 (in kind) would fund seniors centre space in the existing mall, \$250,000 (cash) would go towards public realm work

in the area and \$596,000 (cash) would be contributed to the City's Affordable Housing Reserve to be consolidated with other funds and applied to another project in the West End neighbourhood. Council's resolution directed staff to explore other options to allocate the CAC entirely to the affordable housing within this project.

***OPTIONS CONSIDERED FOR HOUSING BENEFITS THROUGH THE CAC***

Three options were assessed in terms of their ability to incorporate affordable housing into the proposed project at 1030 Denman Street. It is noted that the applicant has said that they cannot proceed with the conversion of the hotel space to residential uses until 2017 when the contract with the current hotel operator expires.

Potential Housing Benefit	CAC Amount	Advantages	Disadvantages
<b>Option 1</b> <ul style="list-style-type: none"> <li>▪ 40 units secured in a Housing Agreement at SAFER* rents for 25 years (at \$700/month)</li> </ul>	<b>\$1,622,000</b>	<ul style="list-style-type: none"> <li>▪ Significant number of seniors units at affordable rent</li> <li>▪ Levers private sector investment to achieve affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires 100% of CAC (no securing of seniors centre or public realm contributions)</li> <li>▪ Benefit not realized until 2018, and may never be realized if change of use from hotel does not occur</li> <li>▪ Applicant does not agree to offering rent-controlled units</li> </ul>
<b>Option 2</b> <ul style="list-style-type: none"> <li>▪ 13 units secured in Housing Agreement at SAFER* rents for 30 years (at \$700/month)</li> </ul>	<b>\$596,000</b> (+\$776,000 for seniors centre and \$250,000 for public realm)	<ul style="list-style-type: none"> <li>▪ Achieves some seniors units at affordable rents</li> <li>▪ Leaves CAC for seniors centre and public realm contributions</li> <li>▪ Levers private sector investment through the rental units to achieve affordable rent for seniors</li> </ul>	<ul style="list-style-type: none"> <li>▪ Small number of affordable units</li> <li>▪ Benefit not realized until after contract ends in 2017, and may never be realized if change of use from hotel does not occur</li> <li>▪ Applicant does not agree to offering rent-controlled units</li> </ul>
<b>Option 3</b> <ul style="list-style-type: none"> <li>▪ Cash contribution to the Affordable Housing Reserve</li> </ul>	<b>\$596,000</b> (+\$776,000 for seniors centre and \$250,000 for public realm)	<ul style="list-style-type: none"> <li>▪ Benefit is secured in cash form at the time of rezoning, with certainty and without 7-year delay</li> <li>▪ Cash can be used to lever partnerships to create affordable housing in the area</li> </ul>	<ul style="list-style-type: none"> <li>▪ Requires additional funding to be levered in order to create a viable housing project.</li> </ul>

\*SAFER (Shelter Aid for Elderly Renters) is a provincial program that provides subsidies to eligible low-income seniors living in market-rental units. For singles who are age 60 or more and have incomes under \$28,000, the Province will provide a subsidy so that rent payments (up to a maximum rent level of \$700 in Vancouver) are no more than 30% of income. For couples, the maximum income is \$30,000 and the maximum rent is \$755.

**RECOMMENDATION**

From a Housing Policy perspective, achieving affordable rental units where feasible is preferable to accepting a cash contribution to the Affordable Housing Reserve because the benefit can be realized in the near-term rather than the long-term.

In this case, however, there are three sound reasons to accept a cash contribution to the Affordable Housing Reserve:

1. The applicant has indicated that they are not willing to offer rent-controlled units in the building as part of the Community Amenity Contribution. Community Amenity Contributions are voluntary contributions made by the applicant, secured by Council as a condition of the rezoning.
2. The applicant’s contract with the hotel operator means that any affordable housing units secured through a Housing Agreement would not come online until the hotel contract ends in 2017, with no guarantee that the management contract and hotel use would not continue beyond that date. Conversely, a cash contribution at the time of zoning enactment would allow staff to more immediately begin seeking strategic partnerships to lever the contribution into housing units.
3. In order to secure a more substantial number of units (40), the future benefit (if and when the hotel use converts) of affordable units would be the only public benefit arising from this rezoning. The seniors centre space would not be secured and the public realm improvement contribution would not result.

A contribution of \$596,000 to the Affordable Housing Reserve would lever funding from other sources such as BC Housing, non-profit societies, and foundations to develop affordable housing. The City typically purchases land and offers it to partners at below market or nominal lease rates for 60-year terms to achieve affordable housing. The City could also use the funding to provide capital contributions to projects in need.

**ADDITIONAL INFORMATION**

At the time of referral, Council also requested that estimates be provided of anticipated rents in this project based on similar properties in the area. Those anticipated rents, in 2011 dollars, are as follows.

Unit Type	Market Rent*	Rent (per sq. ft.)	Size (sq. ft.)
Studio	\$1,000	\$2.33	430
1 Bedroom	\$1,300	\$2.17	600
1 Bedroom + Den	\$1,500	\$2.14	700
2 Bedroom	\$1,900	\$2.24	850
2 Bedroom + Den	\$2,000	\$2.17	921

\*Market Rent estimated from data provided by the applicant in 2009 plus an inflationary increase based on CMHC rental rate changes.

## *CONCLUSION*

Although other options for allocation of the CAC to achieve on-site affordable housing have been explored, staff continue to recommend acceptance of the \$596,000 cash contribution to the Affordable Housing Reserve. An up-front cash contribution allows more immediate and certain access to the housing benefit, while still securing the seniors centre and the public realm improvements, both of which are tangible benefits for the local neighbourhood.



Brenda Prosken  
Managing Director of Social Development  
*Brenda.prosken@vancouver.ca*  
*Phone: 604.871.6858*

AB/KM/AH/ws