

ADMINISTRATIVE REPORT

Report Date: April 18, 2011
Contact: Brenda Prosken
Contact No.: 604.871.6858
RTS No.: RTS 09160
VanRIMS No.: 08-2000-20
Meeting Date: May 3, 2011

TO: Vancouver City Council
FROM: Managing Director of Social Development
SUBJECT: Grant Request for 211 Gore Avenue (former Remand Centre)

RECOMMENDATION

- A. THAT Council approve the Memorandum of Understanding between the City and the Province (BC Housing) attached as Appendix A to this report whereby 211 Gore Avenue (former Remand Centre) will be renovated and operated as affordable rental housing.
- B. THAT Council approve a grant of \$2 million to BC Housing for the renovation of the former Remand Centre as affordable rental housing with the source of funds to be the 2011 Capital Budget for Affordable Housing. The City will pay \$1 million within one month of the issuance of the Building Permit for the renovation. The remaining funds will be provided when the Occupancy Permit has been issued. Advance of these funds will be dependent on the City's interests in this project being evidenced in legal agreements in form, contents and with registration to the satisfaction of the City's Director of Legal Services.
- C. THAT no legal rights or obligations shall arise or be created from approval of Recommendation A and B above until all the required legal documentation is executed and registered to the satisfaction of the Director of Legal Services.

As a grant is recommended, 8 affirmative votes of Council are required.

CITY MANAGER'S COMMENTS

The Remand Centre project demonstrates an important partnership with BC Housing in providing 95 units of new affordable housing. With the City's contribution of \$2 million, BC Housing is able to build 95 units of social housing and will guarantee 25% or 24 of those units to be rented at the shelter component of income assistance (\$375 monthly welfare rate).

Overall this project will achieve a high level of affordability with all units renting below the Core Need Income Threshold. The 95 social housing units will add to the total of approximately 7,300 social housing units for low-income singles in the downtown core, bringing the total to nearly 7,400 units. These units will contribute to the City's goal to replace SRO rooms with social housing on a 1-for-1 basis. The 37 units supported by *Blade Runners* will target at-risk street involved primarily Aboriginal youth and will contribute to the City's overall goal of ending street homelessness and increasing housing capacity for low and modest income households. It is expected that the new units will create some flow through for the Provincially owned SROs and allow for others in need to move in to the SROs.

GENERAL MANAGER'S COMMENTS

The General Manager RECOMMENDS approval of the foregoing.

COUNCIL POLICY

Council policy is to maintain and expand housing opportunities for low and modest-income households with priority for families with children; seniors on fixed incomes or in need of support; Single Room Occupancy (SRO) residents; the mentally ill; physically disabled, and others at-risk of homelessness.

Relevant Council Policies for this site include:

- Downtown-Eastside/Oppenheimer Official Development Plan (DEOD ODP) enacted on April 20, 1982.
- Homeless Action Plan adopted by Council on June 14, 2005.
- Housing Plan for the Downtown Eastside adopted by Council on September 22, 2005.
- Supportive Housing Strategy adopted by Council on June 6, 2007.

An Interim Housing Strategy was presented to Council on April 7, 2009 which outlines ways to increase capacity prior to completion of the longer-term housing projects. One part of this strategy is the conversion of existing government owned buildings into low-income housing units in an effort to create a rapid supply of housing. On April 21, 2009 Council unanimously passed a motion asking all provincial parties in the May 2009 election to commit to supporting the Interim Housing Strategy.

On February 1, 2011 staff presented the Housing and Homelessness Strategy to Council which outlines the City's housing priorities which include ending street homelessness by 2015 and increasing housing for low and modest income households.

PURPOSE

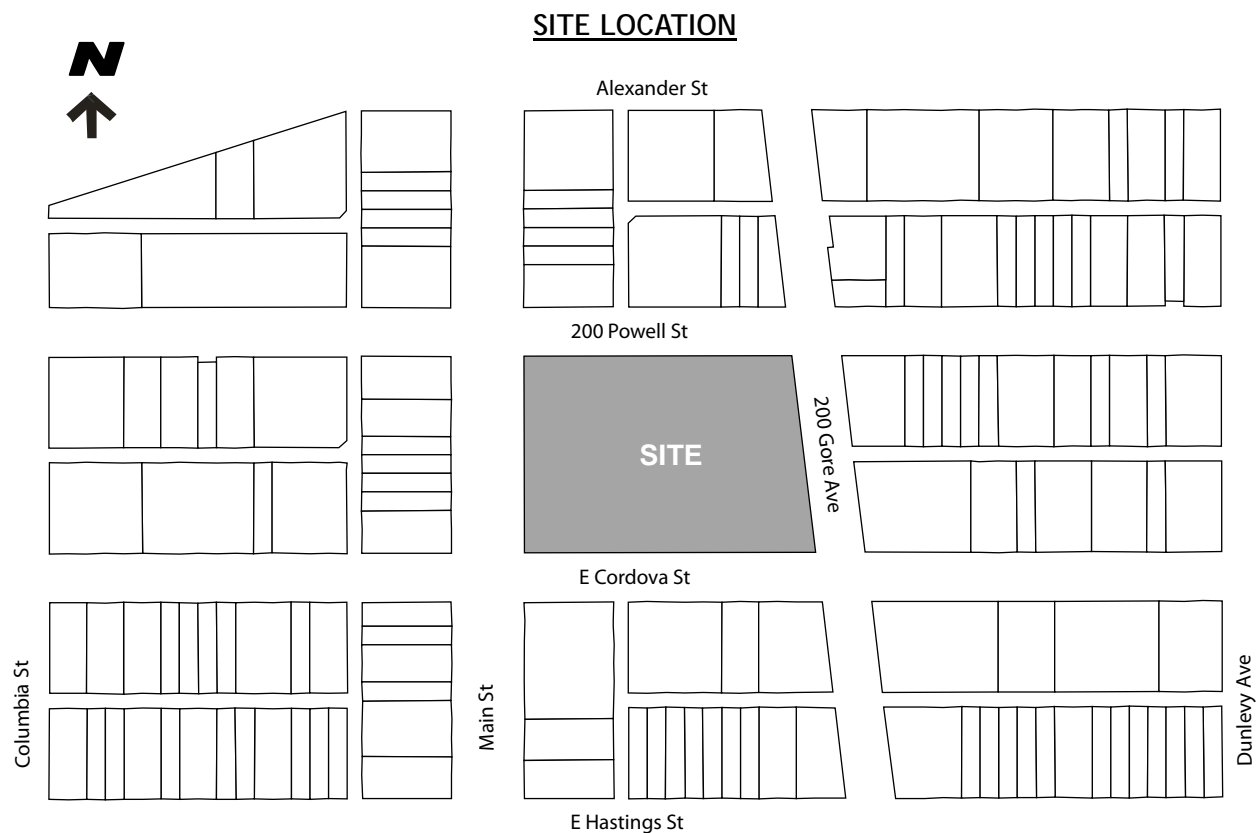
This report recommends approval of the attached Memorandum of Understanding (MOU) between the City and the Province (BC Housing) for the renovation and operation of the former Remand Centre at 211 Gore Avenue as affordable rental housing. This report further recommends that Council approve a grant of \$2 million to BC Housing towards the project renovation costs.

BACKGROUND

The City is currently developing over 1,500 units of social and supportive housing on 14 sites in partnership with the Province. The first of these sites is now complete, and the remaining

13 sites continue to move forward with new units anticipated to be ready later in 2011 and further completions in 2012 and 2013. Both the Interim Housing Strategy (2009) and the Housing and Homelessness Strategy (2011) outline the need for additional supply to address a shortage of housing for low and moderate income households moving forward. The Remand Centre renovation project represents an adaptive reuse project in the Downtown Eastside that provides affordable rental housing including much needed units renting at the shelter component of welfare. At the time of the 2009 Survey of Low-Income Housing, just 36% of SRO rooms in the Downtown Core were renting at or below the shelter component of welfare. This project emphasizes the importance of government taking the opportunity to secure units at welfare rates wherever possible.

The site is located at 211 Gore Avenue on the west side of the street between Cordova Street and Powell Street as shown below and occupies the easternmost portion of the site.



DISCUSSION

The Remand Centre, a former correctional institute no longer in operation, has been identified by BC Housing as a site ready for reuse. The site has a gross floor area of approximately 63,000 square feet. The Community Court will continue to occupy the ground floor of the building and will remain entirely separate from the proposed residential component. In addition to the residential units, the proposed plans include the conversion of the existing gymnasium to a multipurpose room available to be rented out by the community. Other amenities include a community garden in the courtyard, communal decks on the residential floors, a communal lounge area and a bicycle storage facility.

Tenant Mix

The project will contain a mix of supported housing and affordable rental housing. There will be 95 units including 84 studio units and 14 one-bedroom units. Thirty-seven units will be operated by *Blade Runners*, an organization that provides job readiness skills, work place training and ongoing support to enable individuals to overcome barriers to employment and achieve long-term attachment to the workforce. *Blade Runners* will provide life skills and training and supports to at-risk, street-involved, primarily Aboriginal youth.

Affordability

The intent of this project is to maximize the affordability of the rental units being provided. 100% of the units will be affordable for persons with incomes at or below the CMHC Core Need Income Threshold (CNIT). Based on the City and Provincial contributions, 24 of the units will rent at \$375/month, the shelter component of welfare. Any increase in the shelter allowance will be applied to the rents in these 24 units. The remaining 71 units will have rents below CNIT: 1-BR rent levels are anticipated to range from \$544/month to \$738/month and the Studio unit rent levels are anticipated to range from \$375/month to \$631/month. The operator will be provided with flexibility to raise rents on these 71 units in order to meet on-going financial obligations as there will be no ongoing subsidy.

Any project surplus, after adequate operating reserve and replacement reserve costs are accounted for, will be used to enhance affordability in the project and/or to create new affordable housing in the City of Vancouver.

BC Housing will establish an income testing protocol for prospective tenants to ensure that the units are available to low and moderate income households.

Given the level of affordability for these rental units, it is anticipated that they will create opportunities for some individuals currently living in Single Room Occupancy (SRO) hotels to relocate to this project. By creating this flow from the SRO stock, more street and sheltered homeless will be able to benefit from the support services available in the SRO buildings.

Operator

The renovated Remand Centre will be operated by a non-profit housing society (the Operator). The Operator will be selected by BC Housing, in consultation with the City of Vancouver and will be the landlord of all the units, including the *Blade Runner* units. The non-profit housing provider selected to operate the project will enter into an Operator Agreement with BC Housing. The Performance Standards in that agreement will include conditions to ensure the intended affordability and income targets are achieved. BC Housing will monitor the Operator's achievement of the Performance Standards on an ongoing basis. BC Housing will provide audited statements for the project at the City's request.

Zoning

This site is zoned Downtown Eastside Oppenheimer District (DEOD) Sub-area 3 Powell Street/Japanese Village. The area is intended to be a medium density mixed commercial-residential area, appropriate for pedestrian oriented uses at street level and residential, commercial and office use on upper floors. The zoning requires that at least 20% of the FSR over 1.0 FSR be developed as social housing. Social Housing is defined under the DEOD ODP as "residential units purchased by a government or non-profit housing group using available government funding, for housing senior citizens, handicapped persons or individuals or families of low income". This project will exceed the 20% social housing requirement.

The zoning allows for an FSR of 2.5 and a maximum height of 35 feet. The Remand Centre building is non-conforming in height, but conforms in FSR. The intent is for the renovations to proceed under existing zoning.

City and Provincial Partnership

The MOU outlines a partnership whereby the City will contribute \$2 million towards the cost of renovations. The total project cost is approximately \$13 million. BC Housing will contribute approximately \$9 million towards the renovation costs; they will arrange financing and accept the risk of capital cost overruns. BC Housing has also agreed to provide any operating subsidy required to ensure this project is viable. The City will pay \$1 million within one month of the issuance of the Building Permit for the renovation. The remaining funds will be provided by the City when the Occupancy Permit has been issued. Advance of these funds will be dependent on the City's interests in this project being evidenced in legal agreements in form, contents and with registration to the satisfaction of the City's Director of Legal Services.

Housing Agreement

The Housing Agreement will be authorized by by-law, to be separately enacted by Council in due course, and will require that the residential component of the Remand Centre be operated as non-profit housing and provide 95 affordable rental units for at least 40 years, with a possible extension to 60 years. The Housing Agreement will also require the units to be rented to low and moderate income households with priority placement given to core-need households.

FINANCIAL IMPLICATIONS

Recommendation B approves a grant of \$2 million to BC Housing for the renovation of the former Remand Centre as supportive and affordable rental housing. The source of funding is the 2011 Capital Budget for Affordable Housing to be used for the development of permanent social and supportive housing.

CONCLUSION

It is recommended that Council approve the MOU and grant requested for \$2 million to BC Housing with the source of funds to be 2011 Capital Budget for Affordable Housing. This grant will result in a minimum of 95 additional units, including 24 units at the shelter component of welfare, of much needed affordable rental housing in the DTES. These units will help the City advance the goals set out in the Housing Plan for the DTES, the City's Interim Housing Strategy (2009) and the City's Housing and Homelessness Strategy (2011).

* * * * *

Memorandum of Understanding

between

the BC Housing Management Commission (BC Housing) and
the City of Vancouver (the City) regarding

the renovation and operation of the **Remand Centre**, 211 Gore Avenue, for affordable rental housing and dated for reference April 18, 2011

Introduction

The City and BC Housing have as a shared priority the development of affordable rental housing units to supplement the single room occupancy hotels in the City's downtown and to provide housing for low and moderate income households. The City and BC Housing have entered into a series of partnerships for the development and operation of social and supportive housing, for example, the October 29, 2007, Memorandum of Understanding between BC Housing and the City. These partnerships provide the context for the proposed renovation and operation of the Remand Centre for affordable rental housing.

The Remand Centre

The Remand Centre, located at 211 Gore Avenue, is a former jail owned by the Province of BC. It is no longer in operation as a jail and the interior, with the exception of the ground floor, has been stripped of demising walls and fixtures and it is now vacant and ready for reuse. It has a site area of 59,600 sq. ft. and a gross floor area of approximately 63,000 sq. ft. The only current occupant is the ground floor Community Court located at the corner of Gore and Cordova.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Minister of Citizens' Services, as owner of the Remand Centre, will lease the residential portion of the building to the Provincial Rental Housing Corporation (PRHC). PRHC will sublease to the selected non-profit housing society (the Operator). The term of the lease will be 40 years, with an opportunity to renew for up to 60 years through two 10-year extensions.

The renovation and operation of the Remand Centre will result in 95 self-contained dwelling units on floors 2-7 which have a gross floor area of approximately 61,103 sq. ft. and a net floor area of approximately 39,673 sq. ft. Eighty-one studio and fourteen one-bedroom units will be created. The ground floor will continue to accommodate the Community Court.

In addition to the new housing units, the scope of work includes adapting the existing gymnasium to a multipurpose space that would be available to the community on a rental basis. Other ancillary uses include the provision of a community garden in the existing courtyard, communal decks on the residential floors, a communal lounge area and a bicycle storage facility. Approximately 2,440 sq. ft. of interior amenity space and 661 sq. ft. of exterior amenity will be incorporated into the project. The development of the residential units will not constrain or preclude alternative uses of the ground floor.

Zoning

The site is in the Downtown Eastside Oppenheimer District Official Development Plan area (DEOD), and within Sub-Area 3 of the DEOD (Powell Street /Japanese Village). The zoning allows a maximum Floor Space Ratio (FSR) of 2.5, and a maximum height of 35 ft. The building is non-conforming in terms of allowable height but conforms in terms of FSR. The zoning allows residential uses, with a preference for self-contained units, and requires housing for low income households occupy at least 20% of the FSR above a base FSR of 1.0. The intent is for the proposed renovation and operation of the Remand Centre to be approvable within the current zoning.

Tenant Mix and Affordability

The project will include 95 one-bedroom and studio affordable rental units. 37 units, 39 % of the total, will be operated by the *Blade Runners* who provide life skills and training and supports to at-risk, street-involved, primarily Aboriginal youth.

It is anticipated the affordable rental units will create an opportunity for some individuals currently living in Single Room Occupancy (SRO) hotels to relocate to this project. By creating this flow from the SRO stock, more street and sheltered homeless will be able to benefit from the support services available in the SRO buildings.

The intent of this project is to maximize the affordability of the rental units being provided. 100% of the units will be affordable for persons with incomes at or below the CMHC Core Need Income Threshold (CNIT). Based on City and Provincial contributions, 24 of the units will rent at \$375/month, the shelter component of welfare. The remaining 71 units will have rents below CNIT. The 1 BR rent levels are anticipated to range from \$544/month to \$738/month. The studio unit rent levels are anticipated to range from \$375/month to \$631/month. The operator will be provided with flexibility to raise rents on these 71 units in order to meet ongoing financial obligations as there will be no ongoing subsidy. Any project surplus, after adequate operating reserve and replacement reserve costs are accounted for, will be used to enhance affordability in the project and/or to create new affordable housing in the City of Vancouver.

BC Housing will establish an income testing protocol for prospective tenants to ensure that the units are available to low and moderate income households. Prospective tenants will be required to provide proof of income to be verified at the time of application for tenancy only. Priority placement will be given to core-need households.

Operator

The renovated Remand Centre will be operated by a non-profit housing society. The Operator will be selected by BC Housing, in consultation with the City of Vancouver and will be the landlord of all the units, including the *Blade Runner* units. The non-profit housing provider selected to operate the project will enter into an Operator Agreement with BC Housing. The Performance Standards in that agreement will include conditions to ensure the intended affordability and income targets are achieved. BC Housing will monitor the Operator's achievement of the Performance Standards on an ongoing basis. BC Housing will provide audited statements for the project at the City's request.

City Contribution

The City will contribute up to a maximum of \$2 million towards the cost of renovating the building. The City will provide half of this funding within one month of the issuance of the Building Permit for the renovations. The remaining funds will be provided when the Occupancy Permit has been issued. Advance of these funds will be dependent on the City's interests in the project being evidenced in legal agreements in form, contents and with registration to the satisfaction of the City's Director of Legal Services. Such legal agreements will include a Housing Agreement and an agreement to secure repayment of the City's financial contribution in specified circumstances, to be entered into between the City and the Remand Centre owner, with such priorities as the parties may agree.

Housing Agreement

The Housing Agreement will require that the residential component of the Remand Centre be operated as non-profit housing and provide 95 affordable rental units for 40 years, the term of the PRHC lease agreement with HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF BRITISH COLUMBIA, as represented by the Minister of Citizens' Services. The Housing Agreement will also require the units to be rented to low and moderate income households with priority placement given to core need households.

Security for City Financing

In the event that use of the Remand Centre changes, at any time during the 40 year term of the lease/sublease, to something other than the low cost housing contemplated by this MOU, the Province will be obligated to repay a portion of the City's contribution. The amount to be repaid will reduce annually on a straight line basis, provided that no material change of use occurs. In other words, at each anniversary, the Province's repayment obligation would reduce by 2.5%. If there is a material change in use prior to the 40th anniversary, the then remaining secured portion of the City's \$2 million contribution will be repayable in full on demand.

Provincial Contribution

The Province of BC, through the PRHC, will provide the portion of the building intended for this development; floors 2 through 7 and the ancillary common areas, by way of a nominal pre-paid 40-year lease with an opportunity to renew for up to 60 years, through two 10-year extensions. The Province of BC, through BC Housing will also arrange for funding and financing of all costs to renovate the Remand Centre, net of the City's contribution. In addition, BC Housing accepts all capital cost and operating cost overrun risk. BC Housing will provide sufficient funding so the Operator can manage the building without an operating subsidy, but BC Housing agrees to provide any operating subsidy required to ensure project viability.

Project Surpluses

BC Housing will work with the Operator to ensure that any project surplus, after adequate operating reserve and replacement reserve costs are accounted for, is used to enhance affordability in the project and/or to create new affordable housing in the City of Vancouver.

Timing

The proposed timing for completion of this project is as set out in Appendix A attached.

Legal Rights or Obligations

Once this Memorandum of Understanding has been signed, it will be presented to Vancouver City Council and to BC Housing's Executive Committee for approval. No legal rights or obligations shall be created or arise until all legal documentation has been fully executed on terms and conditions satisfactory to the solicitors for the City and BC Housing and approved and registered as required and agreed by the parties.

For BC Housing

For the City

Shayne Ramsey

Dr. Penny Ballem

Date:

Date:

Appendix A; Schedule

- Approval by BC Housing Executive Committee - May 11, 2011
- Approval by City Council - May 3, 2011
- Issuance of Development Permit - November 2011
- Issuance of Building Permit - May 2012
- Execution of Construction Contract - June 2012
- Start of Construction - June 2012
- Construction Completion/Occupancy Permit - March 2013