



ADMINISTRATIVE REPORT

Report Date: October 4, 2011
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 VanRIMS No.: 08-2000-20
 Meeting Date: October 18, 2011

TO: Vancouver City Council

FROM: Managing Director of Social Development and Director of Real Estate Services

SUBJECT: Lease Terms and Other Arrangements for Social and Supportive Housing at 675-691 East Broadway (one of 14 sites)

RECOMMENDATION

- A. 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 negotiate a lease, (the "Lease") for City-owned property situated at 675-691 East Broadway, and legally described as:

PID: 015-380-891, Lot 9, Block 119, District Lot 264A, Plans 327 and 1771
 PID: 015-380-904, Lot 10, Block 119, District Lot 264A, Plans 327 and 1771
 PID: 015-380-912, Lot 11, Block 119, District Lot 264A, Plans 327 and 1771
 PID: 015-380-921, Lot 12, Block 119, District Lot 264A, Plans 327 and 1771

(the "Lands") to Vancouver Native Housing Society ("VNHS") to enable the development of a non-market housing project, and associated social service centre, together with commercial space (the "Project"), which 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 Lands, including the construction period, as long as it continues to provide supportive housing and associated social services, and as long as BC Housing continues to provide operating subsidies;
- iv) an option in favour of the Provincial Rental Housing Corporation to assume the rights and obligation of the lessee in the event of specified defaults as contemplated by the City's Standard Lease Charge Terms for bare land leases of this kind;

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, it being noted that no legal rights or obligations shall arise or be created until the Lease agreement is fully executed by all parties.

- B. THAT Council approve a sublease of the social service centre on the 1st floor of the non-market housing project, from Vancouver Native Housing Society to Pacific Community Resources Society (PCRS), for the term of the ground lease less one day at nominal rent, for the purpose of providing social services to youth, and otherwise 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, it being noted that no legal rights or obligations shall arise or be created until the sublease agreement is fully executed by both parties.
- C. THAT Council approve the subleasing of the commercial space on the main floor of the building, totalling approximately 962 m² (10,355ft²) plus eleven parking spaces and one loading bay, from the VNHS to the City of Vancouver for the term of the ground lease less a day, at a nominal rent, and otherwise in accordance with the terms and conditions outlined in this report and subject to other terms as determined by the General Managers of Business Planning and Services and Community Services, and the Director of Legal Services, it being noted that no legal rights or obligations shall arise or be created until the sublease agreement is fully executed by both parties.
- D. THAT Council approve payment to BC Housing of up to \$3,085,100 plus applicable taxes as a contribution towards the total construction costs of the commercial space undertaken by the City, disbursed during the construction period in two payments, 50% prior to start of construction and the balance payable upon completion and subject to the approval of the Director of Real Estate Services. BC Housing will advise the City in advance of the date of construction commencement; source of funds is the PEF.
- E. THAT Council approve a budget of up to \$516,750 plus applicable taxes for required tenant improvements undertaken by the City or negotiated by the Director of Real Estate Services as part of the sub- sublease negotiations with prospective commercial tenants; source of funds is the PEF.
- F. THAT the Director of Legal Services be authorized to execute all necessary agreements, plans and other documents on behalf of the City and that no legal rights or obligations are hereby created and none shall arise hereafter except upon execution of all legal documents required to complete these transactions to the satisfaction of the Director of Legal Services.

The lease at nominal rent and a waiver of rent in-lieu of property taxes for this City-owned property constitute 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.

COUNCIL POLICY

It is Council policy to purchase privately-owned property 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 twelve 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, which includes a provision for the waiver of property taxes for the housing and social service centres on these sites for as long as they provide supportive housing and social services. Twelve sites are included in this partnership, including the Lands at 675-691 East Broadway. Two additional sites have also been included in the City/Province homelessness initiative (see Appendix A).

The Directors of Finance and Real Estate Services can approve leases and lease renewals if:

- The total value is less than \$250,000
- The term is not longer than ten years (including renewal options)

The proposed lease term is longer than 10 years and has a value greater than \$250,000 so it cannot be approved by the Directors of Finance and Real Estate Services and is therefore submitted to Council for approval.

A lease at nominal rent and waiver of rent in-lieu of property taxes for the Lands 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 three leases: a ground lease of the Lands to VNHS for the development and operation of Supportive Housing; an associated sublease to PCRS for a social service centre, and a sublease of the commercial units from VNHS to the City of Vancouver.

BACKGROUND

Acquisition: Council approved acquisition of the Lands for social housing on April 3, 2007. The source of funds for the acquisition and remediation costs of the Lands was the Property Endowment Fund and the Affordable Housing Reserve.

The MOU between the City and BC Housing proposed that the Lands be designed for 100+/- studio units with a youth services centre on the first and possibly second floor of up to a total of 12,000 sq. ft. A third to a half of the 100 units would be occupied by youth referred and supported by the youth services, if a youth services centre is included in the Project. 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's in Downtown South.

On July 20, 2010 following a Public Hearing on June 22, 24, and July 6, 2010, Council approved the rezoning of this site subject to several conditions.

The housing sponsor for this site is VNHS, a registered charity formed in 1984. VNHS provides social and supportive housing for a wide range of people with a special interest "to provide safe, secure, affordable housing for Aboriginal individuals and families living in the urban setting". VNHS currently owns and operates 15 housing complexes two of which are in the Mount Pleasant area and the remainder in other east side areas of Vancouver for both aboriginal and non-aboriginal residents. There are 10 family, 4 single and 1 Elders/Seniors buildings with a total of 570 housing units.

Broadway Youth Resource Centre (BYRC) is an award winning multi-partner, multi-agency, one-stop resource centre administered by the PCRS. BYRC has been providing youth programs and services from its current location at 691 East Broadway since 1999. BYRC serves homeless and at-risk youth primarily between 16-24 years of age with a variety of integrated services to meet their needs including: assistance to re-connect with their families, cultures and home communities, assistance to obtain safe, affordable housing, access to education programs and/or stable employment, access to medical, counseling, cultural and other support services. BYRC will continue to provide its services in the new building. PCRS has 25 years of expertise in managing and operating residential programs for youth.

The housing program will be divided into two components. Thirty units will be allocated for youth, and managed by VNHS, with support from the BYRC. The remaining 69 units will be managed by VNHS.

Site and Project Description:

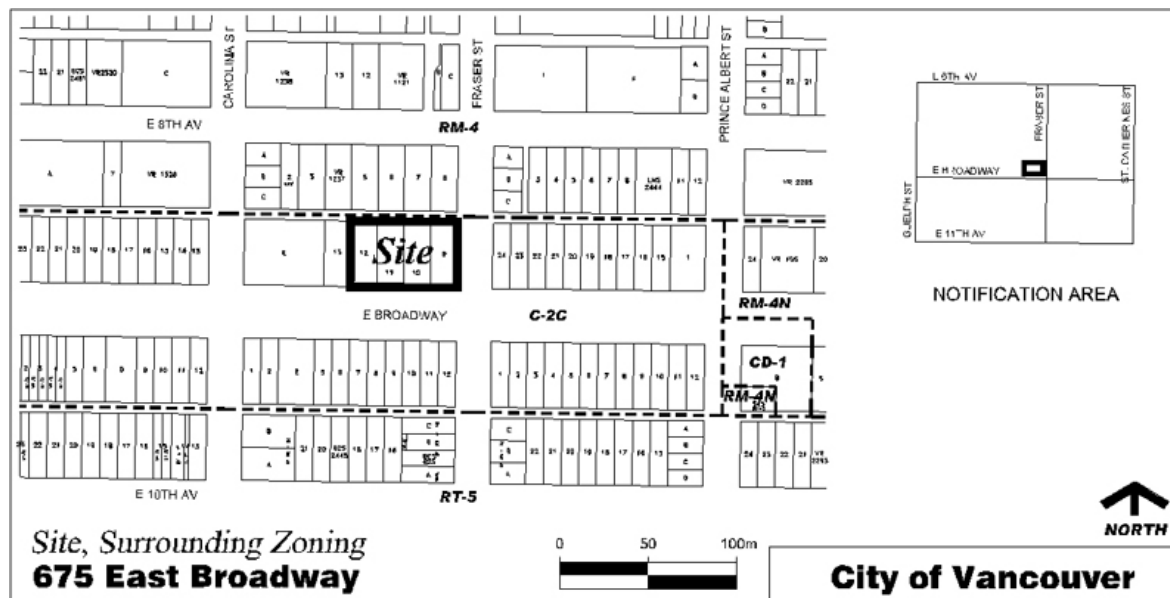
The development proposal consists of the following components:

99 dwelling units with a total floor area of 5,668 m² (61,010 ft²), including 265 m² (2,852 ft²) of amenity space:

- 1 471 m² (15,834 ft²) of social service space to replace the existing social service centre located on this site;
- building height of 8 storeys (32m)(105 ft);
- 962 m² (10,355ft²) of commercial retail on Broadway;
- 1 level of underground parking for 34 cars;

- 2 loading spaces; and
- Storage for 86 bicycles.

It is expected that the building will be ready for occupancy in late 2013. The total capital cost of the project, including land, is estimated at \$35 million



DISCUSSION

Ground Lease to Vancouver Native Housing Society (VNHS): The Lands will be leased to VNHS 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:

- Term of 60 years;
- Rent will be prepaid nominal rent;
- Lease to be signed within 180 days after Council approval, or such later date as may be approved by the City Manager;
- VNHS will not pay property taxes (in the form of rent in-lieu of taxes) for the Lands, in accordance with the MOU approved by Council on December 19, 2007;
- an option in favour of the Provincial Rental Housing Corporation to assume the rights and obligation of the lessee in the event of specified defaults as contemplated by the City's Standard Lease Charge Terms for bare land leases of this kind; and
- Such further and other terms as are acceptable to the Managing Director of Social Development, the Directors of Real Estate Services and Legal Services, it being noted that no legal rights or obligations shall arise or be created until the Lease agreement is fully executed by both parties.

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".

The MOU also notes that the social service centre will enter into a sublease with the Sponsor for the social service centre:

- Term of 60 years less a day;
- Rent will be prepaid nominal rent; and
- The social service centre will be exempt from paying property taxes as long as the component of the Project they occupy continues to provide social services funded in whole or in part by the Province or provincial agencies.

Construction on the Lands is expected to start in January 2012 and be complete by July 2013. Once operational, it is BC Housing's expectation that the housing and ancillary 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 housing and ancillary social service centre from property taxes.

Commercial sublease to the City: The commercial component of the building is 962 m² (10,355ft²) of floor area on the ground level, 1 loading bay and 11 underground parking stalls. It is proposed that VNHS sublease the ground floor commercial component to the City for a term equal to the ground lease less a day at a nominal rent. Details of the sublease and the agreement with BC Housing related to the construction of this space are as follows:

- Term will be equal to the ground lease less a day;
- The rent to the City will be nominal;
- The total construction costs of the commercial space is estimated at \$3,085,100 including hard and soft construction costs plus contingency costs;
- Building Permit issuance will be subject to prior review and approval by the Director of Real Estate Services of the construction working drawings as they relate to the commercial space and common areas;
- The City will make disbursements for construction costs of the commercial space during the construction period in two staged payments. The first payment, equivalent to 50% of the construction costs, will be paid in advance at the date of construction commencement as advised by BC Housing following Building Permit issuance; the second payment to be paid on final completion of construction and issuance of occupancy permit, all to the satisfaction of the Director of Real Estate Services;
- Any subsequent changes or amendments to the working construction drawings as they relate to the commercial space or common areas will require the prior approval of the Director of Real Estate Services; and
- Arrangements will be made with VNHS to fairly attribute and pay, over the term of the sublease, common building expenses attributable to the commercial component.

FINANCIAL IMPLICATIONS

Nominal Rent - The foregone rent on the 60 year lease to VNHS at a nominal rate is valued at \$3.4 million, which represents 75% of the assessed land value of the site. This represents a grant and does not involve further City funding.

Rent in-lieu of Taxes - Based on the 2011 assessed land value \$4,489,000 (land only) and BC Housing's estimated net capital cost of the property \$31,511,000:

- during construction and until the housing and ancillary social service centre receives its Class 3 - Supportive Housing designation, the amount of forgone rent-in-lieu of taxes for the entire property is estimated at \$81,500 per year (2011 dollars) (during construction) to \$150,100 per year (post completion but prior to Class 3 designation)(2011 dollars).
- once the housing and ancillary social service centre is designated as Class 3 - Supportive Housing, the amount of forgone municipal general purpose tax levy for the entire property is estimated at \$76,400 per year (2011 dollars).

The estimated cost of the commercial space will be \$3,085,100 plus applicable taxes for construction and soft costs and up to \$516,750 plus applicable taxes for tenant improvements and fit-up costs. There is currently only limited demand for commercial space in this area of East Broadway and it is anticipated that the commercial units could have higher than average vacancy rates and provide a modest rate of return for the foreseeable future. However, the development of quality commercial space will assist in the revitalization of East Broadway and it is hoped that eventually the City will realize a reasonable return from these commercial units.

Real Estate Services will sub sublease the commercial space to commercial tenants on a net basis whereby the tenants would be required to pay additional rent in lieu of property taxes, operating costs, utilities and maintenance.

CONCLUSION

The Project at 675-691 Broadway is a partnership between BC Housing, the City of Vancouver, VNHS and the PCRS. It is part of the City/Province Supportive Housing Partnership to provide housing for homeless individuals or those at-risk of homelessness including those with mental illnesses and/or drug addictions. The lease terms and waiver of rent in-lieu of taxes are consistent with the partnership objectives laid out in the MOU between BC Housing and the City of Vancouver.

The provision of commercial space owned by the City and available for lease at market rates to businesses and agencies, will provide for a positive street presence for the development along this section of East Broadway.

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

Status Report; September 13, 2011

1. Completed Projects:

	Address	Service Provider	STH Funding	# Units	Occupancy Date
1	1005 Station	PHS	No	80	December 2010
2	1338 Seymour	More Than a Roof	No	105	June 2011
3	337 West Pender	Coast	No	96	May 2011
4	525 Abbott	Atira	No	108	May 2011

Total Number of Units: Buildings 1- 4: 389

2. Projects under Development/Construction:

	Address	Service Provider	STH Funding	# Units	Construction Start	Estimated Occupancy Date
5	188 East 1st	Lookout Emergency Aid Society	No	129	December 09	December 27, 2011
6	3595 West 17th	Coast Mental Health	No	51	May 2010	December 07, 2011
7	1237 Howe	McLaren House	Yes	110	July 2011	May 2013
8	1601 West 7th St at Fir	Katherine Sanford/MPA	Yes	62	December 2010	March 15, 2012

9	215 West 2nd	RainCity/Katherine Sanford	Yes	147	July 2011	February 2013
10	1050 Expo Blvd	127/St James Society	Yes	89	May 2012	October 2013
11	111 Princess (590 Alexander)	Portland Hotel Society	Yes	139	January 2012	November 2013
12	1134 Burrard	Kettle Friendship Society	Yes	141	December 2011	July 2013
13	2565 Fraser (677 East Broadway)	Vancouver Native Housing Society/BYRC	Yes	103	February 2012	September 2013
14	220 Princess (606 Powell)	RainCity	Yes	147	March 2012	4 th Quarter 2013

Total Number of Units Buildings 5-14: 1118

Complete Total (buildings 1-14): 1,507