



ADMINISTRATIVE REPORT

Report Date: June 8, 2012  
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Meeting Date: June 12, 2012

TO: Vancouver City Council

FROM: General Manager Community Services in consultation with the General Manager Real Estate and Facilities Management

SUBJECT: Purchase of the Ramada Inn at 3484 Kingsway to Accommodate Displaced Residents of the Old Continental Hotel, a City Owned Non-Market Housing Facility at 1390 Granville Street

**IN CAMERA RATIONALE**

This report is recommended for consideration by Council in the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city.

**RECOMMENDATION \***

- A. THAT Council authorize the Director of Real Estate Services to enter into negotiations with Mr Sport Hotel Ltd , the owner of the property situated at 3484 Kingsway, legally described as PID 007-629-346 Lot 1 Block 9 District Lot 49 Plan 15933, for the purchase of the site subject to the results of an Environmental and Building Assessment at a total acquisition cost not to exceed \$16 million; which includes the negotiated purchase price and a provision for applicable taxes, assessment reports, minor upgrades and Old Continental tenant relocation expenses; the source of funds to be the Property Endowment Fund (\$12.7 million) and the 2009, 2010 and 2011 Housing Capital Budgets (\$3.3 million).
- B. THAT if the Director of Real Estate can successfully conclude such negotiations, Council authorize the Directors of Real Estate Services and Legal Services to enter into a legally binding Purchase Contract to purchase the property on such terms and conditions that are satisfactory to the Directors of Real Estate and Legal Services: and

that no legal right or obligation is hereby created, and none shall arise except upon execution of the documents.

- C. THAT Council approve the increase in the deposit applied against the purchase price to Mr Sport Hotel Ltd the owner of the property from \$1 to \$200,000 payable to the owner's solicitor upon the removal of the City's precedent conditions for the sale.
- D. THAT Council authorize the Director of Real Estate to proceed with decommissioning and deconstruction of the Old Continental Hotel at 1390 Granville Street as a key step toward implementation of the Granville Loops Policy Plan.
- E. THAT other agreements as may be considered appropriate by the Director of Legal Services, be approved and entered into by the City, as represented by the Director of Legal Services or her nominee, on such other terms and conditions as the Director of Real Estate Services and the Managing Director of Social Development may negotiate and agree to with the respect to other matters described in the body of this Report.

#### ***REPORT SUMMARY \****

The purpose of this report is to seek Council approval to purchase the current Ramada Inn site and building at 3484 Kingsway for use as decantment facility to accommodate tenants who require temporary relocation; this includes as a first priority the 109 residents from the Old Continental Hotel, a City non-market housing facility at 1390 Granville Street. This would enable the implementation of other City policies as follows:

- The Old Continental Hotel is located in the Granville Loops area of Downtown South. The Granville Loops Policy Plan approved by Council in October 2010 indicates that the area is to be fully redeveloped over the next eight to ten years. The City owned land on which the Old Continental Hotel is located is to be replaced with new market and non-market housing.
- To achieve the City policy of a minimum one-to-one replacement of Single Room Occupancy (SRO) units without displacement requires a transition or decantment facility while replacing the Old Continental Hotel.
- Based on a case by case evaluation, to provide decantment services for urgent needs to relocate tenants that are displaced as a result of other residential redevelopments with a priority given to the frail, disabled, senior citizens and SRO residents that are temporarily displaced while accommodations are prepared at newly refurbished or newly constructed buildings.

#### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS \****

The City's Housing and Homelessness Strategy seeks to replace SRO type hotel accommodations with self-contained studio type accommodations and to increase the supply of rental housing for those in core housing need. In February 2011, Council reconfirmed its priority to end street homelessness in Vancouver through the Housing and Homelessness Strategy, which includes a direction for the City to provide land for more supportive housing through existing land assets and capital budget commitments.

Other policy and directions regarding housing for those in core need in the Downtown South:

- In October 1989, Council resolved that the City adopt the objective of ‘... maintaining, upgrading, and increasing the existing stock of core-need housing in the Downtown’. (Referenced in RTS 02040, dated May 1, 2001)
- June 22, 2004, Council confirmed its objective of achieving a minimum of one-to-one replacement of Single Room units in the Downtown South and the Downtown Eastside.

The Granville Loops Policy Plan of October 2010 identifies other relevant considerations:

- Emphasize residential redevelopment in Downtown South.
- Incorporate a replacement for the City-owned Old Continental Hotel and if possible provide for additional non-market housing in the Granville Loops and Downtown South.
- Achieve densities and CAC’s on City-owned sites that will cover the cost of reconstructing the street/utility system, replacing the Old Continental Hotel non-market housing, and return property value to the Property Endowment Fund.

It is Council policy to purchase privately-owned sites for non-market housing projects and lease them at rents that are variable depending on the length of time of the lease. Non-profit societies or co-operative associations typically lease for 60 years and this length of time is valued at 75% of freehold market value. A shorter term lease is based on a net present value (NPV) calculation. A ten (10) year lease would therefore have a NPV of 21% of fair market value.

#### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS \****

Ending street homelessness is a high priority of Council. The acquisition of the Ramada Inn on Kingsway will provide 122 safe and secure rooms for those being displaced due to residential redevelopment on City lands. Ultimately the aim is to replace all 109 rooms at the Old Continental Hotel with new affordable rental apartments, and to eventually redevelop the Kingsway Ramada site with new market and non-market housing thereby contributing to Council’s goal of ending street homelessness.

It should be noted that the City is well on track to replacing all the SRO’s in Downtown South as identified in City policy, with the exception of the 109 units lost when the Old Continental Hotel is decommissioned and demolished.

The General Manager of Community Services Group and the General Manager of Real Estate Services and Facilities Management concur with the recommendations in this report. The current condition of the Old Continental Hotel requires the decommissioning of the building and the relocation of the existing tenants to an alternative home.

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## REPORT

### Background/Context \*

#### Old Continental Hotel at 1390 Granville Street

The Old Continental Hotel is a City of Vancouver owned and operated Single Room Accommodation hotel, located at 1390 Granville Street within the Granville bridge loops.



Built in 1911, the Old Continental was originally a hotel and consists of 109 single rooms with shared toilet and showers. The Old Continental has been used as an SRO since 1974 when it was transferred from the Province to the City. It is now held in the PEF and no Provincial subsidy has been provided for this building since 1993, when the subsidy was transferred to the New Continental, another City owned facility with operational funding provided by BC Housing. The building was to be demolished in the mid 1990's after tenants were moved to the new Continental. However it was brought back into use as a shelter and then as an SRO to meet demand for housing in the DS. Costs to maintain the Old Continental continue to increase and it is well beyond its useful life.

#### 3484 Kingsway/Ramada Hotel Site

Staff conducted a thorough review and analysis of comparative sites for the intended use of decanting the Old Continental residents, and have concluded that the Ramada Hotel at 3484 Kingsway is the most suitable option to meet the City's requirements.

The Ramada Hotel is a 122 room hotel plus retail uses in the Killarney neighbourhood bordering the Renfrew-Collingwood area and close to the eastern boundary of the City. The site is 68,000 square feet and has capacity for redevelopment in the future. Total acquisition costs including applicable taxes, minor renovations and relocation expenses would be \$16.0M. The intended use as a decantment facility would be for a period of approximately 10 years.

### *Ramada Kingsway Site Location*



### *Strategic Analysis \**

The Old Continental Hotel is well beyond its economic life and significant building issues are now impacting the health and safety of tenants and staff.

In addition to deferred maintenance costs estimated at \$8.24 M, a hazardous materials assessment in 2010 found lead, asbestos and mould. There are significant electrical problems, the aging elevator is difficult to maintain in functioning order, and Facilities Planning and Development has identified building envelope failure. Remediation of the mould and repair of the other issues in order to keep the building open is not advised due to costs (up to \$10 M over 10 years). Continued use of the building is therefore not recommended. Continued operation would also delay implementation of the Granville Loops redevelopment plan approved by Council in October 2010.

Staff is recommending decommission and deconstruction given the building's poor condition and the need to proceed with the Council approved Granville Loops Policy Plan.

### *3484 Kingsway/Ramada Hotel Site:*

The criteria used to evaluate the purchase of a suitable place to accommodate residents of the Old Continental were:

- Sufficient building systems capacity and longevity for a minimum 10 years use
- Minimal requirements for renovations
- Valued to within current appraised value and possessing future surplus value if redeveloped

- Access to social supports and services, transportation, especially transit, and other retail services

The Kingsway Ramada site most closely matched these criteria. An additional consideration is that this site should retain, or increase, its value over the 10 year period. The site has excellent future redevelopment potential through rezoning for mixed market and non-market housing, as well as retail and other job space. The site also contains a restaurant and pub and six other smaller commercial uses. Real Estate Services will evaluate continuation or extension of these lease premises as they bring extra revenue to the PEF.

In terms of alternative options to this site, Real Estate Services canvassed the DS, in late 2011 and again in early 2012, and no suitable hotels were found with the capacity to house the Old Continental residents. The other alternative was to acquire another SRO(s) in the area however this would mean a net loss of SRO capacity across the City. The search for a suitable site was broadened across the City with two options identified. Another hotel purchase option was pursued further without a suitable conclusion, and after further investigation the Ramada was deemed to be suitable for the intended use, and it provides additional opportunities.

### *Other Potential Users*

There is capacity in the facility that could accommodate potentially 13 extra residents, likely more as some OC residents may choose to locate elsewhere.

Subject to detailed case by case evaluations, there are other decantment needs, such as:

- The Three Links Manor, owned by the International Order of Oddfellows, is a 44 unit development housing a similar clientele as the Old Continental, located 300 metres away at Boundary Road and Kingsway. There are plans to redevelop requiring the temporary relocation of these residents. Meetings have been held with senior staff of the organization with strong interest shown in collaborating with the City.
- The BC Housing SRO Renewal program that is currently underway which involves substantial renovation to 13 SRO hotels, involving over 840 residents, some of which will need to be accommodated elsewhere for a period of time. BC Housing has expressed an interest in collaborating with the City.
- The City's SRO and non-market housing renewal plans for the future would benefit from use of this facility, and there are increasing pressures on the existing rental housing stock generally.

### *Implications/Related Issues/Risk (if applicable)*

#### *Financial \**

The acquisition of social housing sites is funded through the Property Endowment Fund. Social housing sites are typically leased for 60 years and are valued at 75% of the market value. Shorter term leases are based on a net present value (NPV) calculation. In this particular case, as there would be a 10 year lease from the PEF, a value of \$3.3 million, or 21% of the market value would be assessed.

The cost to purchase the site and building including taxes, minimal renovations and relocation expenses is estimated at \$16 million. Based on a recent research and a valuation appraisal, staff have concluded that given the location, size of property and future potential for redevelopment, this a reasonable cost. Source of funds to be the PEF (at 79% or \$12.7million) and the 2009, 2010 and 2011 Housing Capital Budgets (at 21% or \$3.3 million). Upon successful negotiation of the purchase and the removal of the City's precedent conditions for the sale, an increase in the deposit applied against the purchase price from \$1 to \$200,000 would occur.

The operating finance model anticipates that the rental revenue would cover direct operating costs. Added revenue from decantment services to other non-profit operators requiring temporary relocation for tenants would enable further cost recovery. Escalating service charges after a certain period (e.g. 3 years - this being the typical timeline for a residential redevelopment that requires vacant possession) would induce organizations to use the facility for short term needs only. A separate report to Council will seek approval for the appointment of the operator, the funding model, and the lease terms.

Funding for the decommissioning and demolition of the Old Continental Hotel will be covered by the PEF and are not included in the acquisition costing noted above.

Future redevelopment of the Granville Loops would incorporate non-market social housing with the use of DCL and CAC dedicated funding as approved in the Granville Loops Policy. It is expected that any future redevelopment of the Ramada Kingsway site would also incorporate non-market housing from CAC's and DCL's. For example, a recent rezoning in the immediate area at Boundary and Vanness Avenue generated a \$1 million CAC which is to be used for the creation of new affordable housing in the neighbourhood.

### *Human Resources/Labour Relations*

The operational model recommended for the decantment facility is to identify a non-profit operator. The decantment facility is not to be part of the City's non-market housing inventory as the services provided will be made available broadly to the community.

Consultation with CUPE 15 will be part of the implementation plan, if this report's recommendations are approved. The implementation plan will address how to minimize impacts on staff by reassigning regular staff in other buildings to replace auxiliary staff. It is anticipated that there would be one staff reduction (either through layoff or retirement) as a result of the decommissioning of the Old Continental, if the business model implements a non-profit operator for the decantment facility.

### *Environmental*

Moving tenants, some with health issues, out of the Old Continental and into a newer building with full bathrooms in the units will be a major benefit to tenants. Moving them out of the building mitigates the risk of exposure to hazardous materials. The

subsequent deconstruction of the Old Continental and the appropriate disposal of the hazardous materials in the building will have a positive environmental impact. Enabling the implementation of the Granville Loops Policy Plan will also have positive environmental, economic and social impacts for the neighbourhood.

### ***Zoning***

The current zoning at 3484 Kingsway allows the intended use. A portion at the south of the site is presently a surface parking lot and a rezoning would be required to allow for added residential uses. Also, the future redevelopment of the entire site to take advantage of the locational advantages for transit oriented development would require a rezoning.

### **Social Implications**

Transition and relocation plans will ensure tenants maintain safe and secure housing. The majority of tenants are over 50 years of age and 92% are men. The majority (75%) have been living at the Old Continental for at least one year. Consultation with tenants, the communities (both in Downtown South and the Kingsway - Killarney neighbourhood) and agencies providing tenant supports will begin immediately after the acquisition is finalized. Special arrangements will be made for the vulnerable (e.g. frail health) tenants as needed.

Greater capacity in the proposed site will allow for limited decantment of others that are displaced as a result of redevelopments. As indicated earlier, the Three Links Manor, and the BC Housing owned SRO's, and other City needs for decantment will be evaluated for temporary placement at the proposed facility. The facility will be used exclusively for temporary decantment in cases where new residential accommodations are being created through redevelopment, with consideration for the appropriate mix of residents in the building.

### ***Implementation Considerations***

The acquisition and relocation project will be managed by a cross-departmental steering committee headed by the Director of Facilities Development and including the General Manager of Community Services, Director of Real Estate, and Managing Director Social Development. The business and operational details arising from approval of this report will be reported to the steering committee. Project management resources will be provided by Facilities Design Management.

A communications plan will involve the development of key messages for the current residents of the Old Continental Hotel and for the residents and businesses in the Ramada Kingsway area and Downtown South area. Consultations with staff representatives from CUPE 15 will be led by Human Resources and CSG management.

A tentative timeline is included in Appendix A of this report.



*CONCLUSION* \*

The City is in need of a place to accommodate those that are displaced as a result of City initiated residential redevelopments. The most immediate need is to provide a 1:1 replacement for the Old Continental building in downtown south. The building is past its useable lifespan. Repairing the building is not advised given high costs and length of time before the non-market stock is replaced through the Granville Loops redevelopment plan. With the Granville Loops redevelopment and other developments in the Downtown/Downtown South area, sufficient non-market studio apartment replacements are expected to come on stream within the next 10 years.

Staff conducted a thorough review and analysis of comparative sites for the intended use of accommodating the Old Continental Hotel residents, and have concluded that the Ramada Hotel at 3484 Kingsway is the most suitable option to meet the City's requirements. It has added a capacity to serve other residential decantment needs and has added value in future through rezoning.

It is the recommendation of staff that the City proceed with the purchase of this building and land for the PEF. It will serve as a decantment facility for a period of approximately 10 years and be leased for limited residential uses over that period. The total acquisition cost is \$16 million for the purchase of the facility, payment of applicable taxes, making minor improvements, and paying for tenant moving expenses; with the funds to come from the PEF and the 2009, 2010 and 2010 Housing Capital Budgets. .

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### Implementation Steps

#### Residential Decantment Facility Purchase to Accommodate Displaced Residents of City Owned Non-Market Housing Facility at 1390 Granville Street

1. Negotiations to terms and subsequent purchase of building - RES lead.
2. Development and signing of agreement with non-profit for operation of the Decantment Site - lead CSG, Business Operations.
3. Consultation with Staff Representatives from CUPE 15 on the purchase of a new site and close of the Old Continental - lead CSG, Business Operations, HR.
4. Draft communication plan developed - lead Corporate Communications, CSG, RES.
5. Development of timeline for move - goal is to have move completed by November/December 2012.
6. Consultation with tenants at the Old Continental - lead CSG Business Operations.
7. Consultation within the Downtown South, including a series of conversations at the Gathering Place - lead CSG: Business Operations, Housing Policy, Social Infrastructure.
8. Consultation with community partners e.g. Catholic Charities, VCH, and West End Mental Health Team - lead CSG, Business Operations.
9. Communications and consultation with Kingsway community members - lead CSG: Business Operations, Housing Policy, and Social Infrastructure.
10. Consultation with Kingsway community partners e.g. Collingwood Neighbourhood House - CSG, lead Business Operations, Housing Policy, Social Infrastructure.
11. Consultation with MHSD and development of transfer plans for tenants- lead CSG Business Operations.
12. Consultation with VCH and West End Mental Health Team and development of transfer plans for tenants- lead CSG Business Operations.
13. Move of tenants to: Kingsway site and to other COV buildings in the Downtown South for those tenants unable to move.
14. Work with non-profit to identify other tenants from other decantment processes or work with Tenant Assistance to identify homeless in Kingsway area to fill the capacity of the hotel.
15. Work with VCH to investigate the feasibility of health services on site, and the development of a plan for establishing services.