



IN CAMERA

## ADMINISTRATIVE REPORT

Report Date: June 25, 2013  
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RTS No.: 10117  
VanRIMS No.: 08-2000-21  
Meeting Date: July 23, 2013

TO: Vancouver City Council

FROM: Director of Real Estate Services and the General Manager of Real Estate and Facilities Management in consultation with the Managing Director of Social Development

SUBJECT: Lease of City-owned Land at 2610 Victoria Drive to The Immigrant Services Society of BC for Vancouver Regional Service Centre for Immigrants and Refugees

### 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 negotiate and execute a ground lease (the "Lease") of City-owned property located at 2610 Victoria Drive, legally described as PID: 009-403-531, Lot A Block A of Block 163 District Lot 264A Plan 1042 (the "Subject Property") as shown on Appendix A, to The Immigrant Services Society of BC ("ISS of BC") for 60 years at nominal rent, for the development of a supportive housing project with an onsite combined service centre (the "Project") for recently arrived immigrants and/or refugees; such Lease to contain the following general terms and conditions:

Term: Sixty (60) years commencing October 1, 2013.

Land Area: Approximately 24,258 sq. ft.

Use: Ground lease for the construction of a building for supportive housing and an onsite combined service centre.

- Rent: Nominal prepaid rent of s. 17(1) for the term of the lease, as long as the Project continues to provide supportive housing and associated onsite support services.
- Property Taxes: A waiver of rent in lieu of property taxes for the term of the lease, including the construction period, as long as the Project continues to provide supportive housing and associated onsite social services. Rent in lieu of property taxes is applicable on building areas leased to commercial tenants.
- Other Terms  
And Conditions: ISS of BC to be responsible for the construction, insurance, utilities, maintenance and repair of the Project.
- The City to undertake the demolition of the existing building, including the removal of any hazardous building materials and soil remediation (if necessary).
- Cancellation clause - if the construction of the Project does not commence by December 31, 2014 or such date as the parties may otherwise agree, the City and ISS of BC will each have the option, exercisable within sixty (60) days of such deadline for commencement of construction, to terminate the Lease without any reimbursement or compensation to the other party.
- The ground lease is to be provided on the City's standard sixty year bare land lease agreement, drawn to the satisfaction of the Directors of Legal and Real Estate Services, it being noted that no legal right or obligation will be created and none shall arise until the ground lease document is fully executed by both parties.
- B. THAT Council approve up to s. 17(1) for costs associated with rezoning fees, hazardous materials assessment and removal, and the deconstruction/ demolition and removal of all improvements on the Subject Property; source of funding to be the Property Endowment Fund ("PEF").
- C. THAT Council approve up to s. 17(1) for site remediation if environmental contamination is discovered on the Subject Property in order to obtain a Certificate of Compliance issued by the BC Ministry of Environment; source of funding to be the PEF.
- D. 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.

E. s. 17(1)

The lease at nominal rent (s. 17(1)) and waiver of rent in-lieu of property taxes pursuant to Recommendations A constitutes a grant and approval requires eight (8) affirmative votes of Council.

### **REPORT SUMMARY**

The purpose of this report is to seek Council approval to negotiate and enter into a ground lease at 2610 Victoria Drive to The Immigrant Services Society of BC for the development of a supportive housing project with an onsite combined service centre for recently arrived immigrants and refugees. The Project will deliver 98 flexible, lockable rooms which can be combined in a variety of configurations, down to 26 “self-contained units” allowing ISS of BC to flexibly house larger or smaller families as well as singles, as need arises.

The lease would be for a term of sixty (60) years with a nominal prepaid rent of s. 17(1) and waiver of rent in lieu of property taxes, as long as the Project continues to provide supportive housing and associated onsite support services throughout the term of the lease.

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

On March 17, 2011, ISS of BC and the City of Vancouver entered into a Memorandum of Understanding regarding the development of a supportive housing project with an onsite combined service centre for immigrants and refugees at 2610 Victoria Drive.

On November 13, 2012, Council approved a rezoning of this property following a Public Hearing, with the condition that the lease of this City-owned property to ISS of BC, for the purpose of developing the site for transitional supportive housing, be registered on title to the property.

On April 9, 2013 (RTS No. 10016), Council approved a grant of up to s. 17(1) to ISS of BC for the construction of the Project.

### **COUNCIL POLICY**

The City provides capital grants for non-profit operated social infrastructure projects that serve City priorities.

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

The City's social housing priorities are to maintain and expand housing opportunities in Vancouver for low and modest income households with priority 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.

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

- 1) the total value does not exceed \$250,000; and
- 2) the term is no more than ten years (including renewal options).

Larger or longer leases require Council approval.

The proposed lease term is longer than ten (10) years which cannot be approved by the Directors of Finance and Real Estate Services and is therefore submitted to Council for approval.

A long-term lease with a nominal prepaid rent and waiver of rent in lieu of property taxes constitutes a grant and approval requires eight (8) affirmative votes of Council.

## **REPORT**

### **Background/Context**

ISS of BC has been providing settlement services to the refugee immigrant population since 1968. Today, ISS of BC provides services in over 40 languages to as many as 800 government-assisted refugees and over 300 refugee claimants per year. ISS of BC's current primary settlement service is a 17,000 square foot building situated at 530 Drake Street.

The City purchased the Subject Property in 1960 for the Vancouver Health Department. It is held in the PEF with a 2013 freehold market value of approximately s. 17(1). The site has 157 feet of frontage on Victoria Drive and a total site area of 24,258 square feet. Present zoning is RM-4 (Multiple Dwelling District). The Vancouver Police Department formerly utilized a portion of the Subject Property for their aboriginal youth program and the remainder of the space was formerly an emergency heat shelter for the homeless.

The Project will comprise approximately 53,000 square feet of developed space including a range of onsite support services, with first and second stage housing for newcomers and refugees called "Welcome House." ISS of BC is planning to relocate some of its service partners to the new location as a means of improving service accessibility to their clients. Service partners include: Inland Refugee Society, Bridge Refugee Health Clinic, the Vancouver Society for Survivors of Torture, and Settlement Orientation Services. All these organizations are also non-profit societies. This location will allow newcomers to access transit, including the Broadway Transit Station, affordable shops and services along nearby Commercial Drive, and specialized health and social services.

ISS of BC has provided City staff with a project budget, including secured funding sources that demonstrate a financially viable project. It is expected that the Project will be ready for occupancy in June 2016.

### *Strategic Analysis*

The City's Supportive Housing Strategy supports the provision of social and supportive housing throughout the city in locations where there is accessibility to transit, shopping and community services (Appendix B). The City's Housing and Homelessness Strategy, approved in July 2011, reaffirmed Council's housing priorities to maintain and expand housing opportunities in Vancouver for low and modest income households, with priority for those who are homeless or at risk of homelessness. The National Secretariat on Homelessness' study of homelessness in the Metro Vancouver area found that immigrants and refugees comprise 18% (on average) of the shelter population.

Recently arrived refugees and refugee claimants, such as those served by ISS of BC, are most at risk of homelessness due to factors such as: the lack of established connections in Canada, the lack of skills and personal resources, and language barriers.

The proposed service cluster at Welcome House will focus on the needs and capacities of refugees, including:

- short and intermediate accommodation, as required by the individual;
- assistance with government applications and paperwork;
- life skills training, including orientation to transit, grocery purchasing, renting housing, banking, etc.;
- health services and counselling; and
- securing training, schooling for children, and employment.

Shelter staff throughout Metro Vancouver note that structural barriers (ie. shelter and transportation allowances, etc.) to securing housing and employment are particularly serious for immigrants and refugees. Moreover, many refugees arrive with a history of serious physical and psychological abuse after lengthy stays in refugee camps. Ensuring a wrap-around approach to support services from the time of arrival, improves the rate of successful settlement in Canada.

Construction of the Project is expected to start no later than December 2014 and occupancy should be achieved by June 2016. Once operational, it is the expectation of ISS of BC that the Project 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 Project from property taxes.

*Financial*

**Project Capital Budget** - The Project is estimated to cost s. 17(1), including land and construction. Anticipated sources of funding are as follows:

s. 17(1)



60-year land leases are valued at 75% of current freehold market value. Based on the 2013 freehold market value of s. 17(1), the nominal lease of the Subject Property is valued at s. 17(1) which is higher than the s. 17(1)

As the Subject Property was originally acquired by the PEF, the PEF will be compensated for the value of the 60-year lease s. 17(1); source of funding to be:

s. 17(1)



At the end of the Lease, the Subject Property will revert to the PEF for redevelopment opportunities.

The onsite combined service centre component of the Project is subject to City-wide Development Cost Levy (DCL) and is anticipated to generate approximately s. 17(1) in DCLs, which is included in the overall construction budget of s. 17(1). The supportive housing component is exempt from DCLs. The value of this exemption is estimated to be s. 17(1)

s. 17(1)

It is the City's obligation to provide ISS of BC a clean site, rezoned, and ready for construction. The cost of rezoning, hazardous materials assessments and removal, and demolition and removal of improvements is estimated at s. 17(1). As well, should remediation be required for any environmental contamination discovered on the Subject Property, staff recommend that up to s. 17(1) be approved for such remediation. Source of funding for these costs will be the PEF. As the value of the land s. 17(1) assumes a clean site, these costs are not added to the City's contribution in the above table.

**Operating Budget** - ISS of BC is responsible for the ongoing operation and funding of the Project. The City is not expected to provide any operating subsidies, financial guarantees or indemnity. Assuming that the Project will qualify for the "Class 3 - Supportive Housing" designation once it becomes operational, similar to other supportive housing projects (e.g. 14 sites with BC Housing), staff recommend that the rent in lieu of property taxes be waived throughout the term of the lease as long as the Project continues to provide supportive housing and associated onsite social services. The City will collect rent in lieu of property taxes on any building areas leased to commercial tenants.

s. 17(1)

### *Environmental*

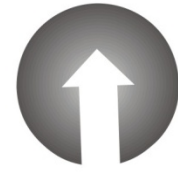
The Manager of Environmental Planning has assessed the potential for environmental concern related to soil or groundwater contamination as low, since the Site Profile and Phase 1 Environmental Site Assessment for the Subject Property revealed no Schedule 2 Uses or Areas of Potential Environmental Concern. No requirement for site remediation is expected; however, if contaminated material is encountered, it could be addressed during site redevelopment. To fulfill the commitment made in the March 17, 2011 Memorandum of Understanding between ISS of BC and the City of Vancouver, staff recommend that up to s. 17(1) be approved for site remediation, should it be required.

***CONCLUSION***

The Director of Real Estate Services and Managing Director of Social Development recommend the Subject Property be leased to ISS of BC at a nominal gross prepaid rent, inclusive of rent in lieu of property taxes, for the development of a supportive housing project with an onsite combined service centre which will allow short-term housing for recently arrived immigrants and refugees.

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**Table 1: Non-Market Housing Targets and Project Status (as of July 3, 2013)**

	TARGETS		CURRENT PROJECTS	GAP
	Long Term (2021)	Near Term (2014)	Proposed, In Progress and Completed	(2014 Target)
<b>Supportive Housing Units</b>	2,900	2,150	1,844	306
<b>All Other Non-Market Housing Units</b>	5,000	1,500	1,464	36
<b>Total Non-Market Housing Units</b>	7,900	3,650	3,308	342

(1) Targets are established in the 2011 City of Vancouver Housing and Homeless Strategy.