



ADMINISTRATIVE REPORT
SOCIAL DEVELOPMENT

Report Date: December 6, 2013
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VanRIMS No.: 08-2000-20
Meeting Date: December 18, 2013

TO: Standing Committee on City Finance and Services
FROM: Chief Housing Officer
SUBJECT: Appointment of Lessee: Fire Hall No. 5 Non-Market Housing Component,
3090 East 54th Avenue

RECOMMENDATION

- A. THAT Council authorize City staff to negotiate, to the satisfaction of the Chief Housing Officer, the General Manager of Real Estate and Facilities Management, and Director of Legal Services, and authority is provided to the Director of Legal Services and the General Manager of Real Estate and Facilities Management to execute a 60 year Lease Agreement with the YWCA Metro Vancouver ("YWCA") as the lessee of a Non-Market (affordable and below-market) rental housing facility to be included as part of the project to construct a new Fire Hall No 5 building at 3090 East 54th Avenue (PID: 009-127-666; Lot 2 of Lot A Block 71 Fraserview Plan 11199), such Lease Agreement to be subject to:
- (i) prior to construction start for the project, the YWCA confirms to the City:
 - a. that the YWCA has secured and has available a minimum of \$2.2 million dollars for a capital contribution secured through fundraising;
 - b. that the YWCA with support from the City secures a minimum of an additional \$1.3m for a capital contribution through fundraising and partner contributions;
 - c. The total of \$3.5m being the amount which will be the minimum required prepaid rent for the Lease, and
 - d. \$1.0 million dollars as an operating endowment for such Non-Market rental housing facility.

- B. THAT Council authorize an increase of up to \$9.0 million in the capital project budget for the construction at 3090 East 54th Street of a new Fire Hall No 5 for the inclusion therein of a Non-Market housing component to be built above the fire hall, bringing the total multi-year capital budget for the project to \$19.13 million, with the incremental \$9.0 million to be funded as follows:
- (i) A minimum of \$3.5 million contribution from the YWCA as outlined in this report, and
 - (ii) Up to \$5.5 million City funding from the 2014 Capital Budget for Non Market Housing - Affordable Housing Opportunities (subject to Council approval of the 2014 Capital Budget), with up to \$1 million to be expended in 2014 and the remainder in 2015;
- FURTHER THAT staff continue to seek opportunities to leverage more partnership contributions and value-engineer to minimize the overall project cost.
- C. THAT no legal rights or obligations be created or arise by Council's adoption of Recommendations A and B above unless and until the Lease is executed by the Director of Legal Services.

REPORT SUMMARY

The purpose of this report is to recommend the appointment of The YWCA Metro Vancouver as Lessee for approximately thirty-one units of Non-Market housing above Fire Hall No 5 located at 3090 East 54th Avenue and to request Council to authorize an increase to project budget, as well as provide an overview of the procurement process used to reach this recommendation.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On July 28, 2011 Council endorsed the Housing & Homelessness Strategy 2012-2021 which includes:

- Strategic Direction 1: Increase the supply of Non-Market housing
- Strategic Direction 2: Encourage a housing mix across all neighbourhoods that enhances quality of life, and;
- Strategic Direction 3: Provide strong leadership and support partners to enhance housing stability.

The 3-Year Action Plan 2012-2014 identifies priority actions to achieve some of the Strategy's goals. The priority actions that relate to this report are to optimize the City's land to lever Non-Market housing partnerships.

The City's Procurement Policy requires that contracts with values over \$2 million must be approved by Council following review and recommendation by the Bid Committee.

As the YWCA will be contributing a minimum of \$3.5 m of the \$9.0 m budget, the balance of the funding would constitute a grant value of up to \$5.5 million and requires eight affirmative votes of Council.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

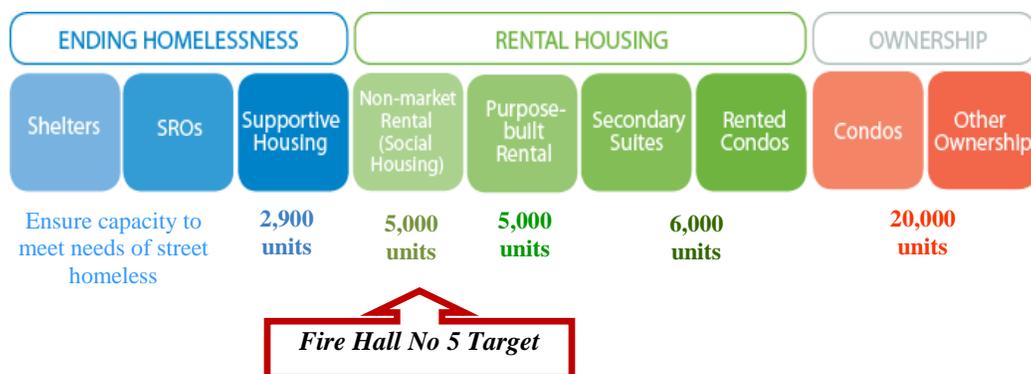
The provision of Non-Market housing above Fire Hall No 5 enables the City to partner with the YWCA to provide a minimum of thirty-one Non-Market housing units with supports for low and moderate income single mother-led families in Non-Market housing need. The Chief Housing Officer RECOMMENDS approval of the foregoing.

REPORT

Background/Context

The Housing & Homelessness Strategy as well as the Mayor's Affordable Housing Task Force recommends innovative solutions to address the need for Non-Market housing through the creation of below-market rate rental housing. Non-market rental proposals co-located with other municipal uses is one such innovation. The replacement of Fire Hall No 5 was approved in the City's 2012-2014 Capital Plan. At that time staff was asked to examine the feasibility of including Non-Market housing in the project.

The "*Housing and Homelessness Strategy 2012-2021*", (the "Strategy") is the guiding document for addressing housing solutions in Vancouver. Of particular relevance for this proposed project is the direction to increase the supply of Non-Market rental housing through the City's use of its resources, including land to assist and participate in the creation of new Non-Market rental housing projects and to demonstrate leadership in supporting partnerships. The Strategy sets out targets along the housing continuum.



This development supports the goals of the City's Housing Strategy, by providing new Non-Market housing with supports for low and moderate income single mother led families in Non-Market housing need.

Proposed Partner - YWCA Metro Vancouver

The YWCA has, for 116 years, provided shelter and services to families at turning points in their lives. They help women and their families overcome poverty, unemployment, homelessness and violence. Their programs and services connect tens of thousands of people with vital resources and help to improve the quality of their lives.

YWCA Metro Vancouver provides a network of services for women, youth, children and men including:

- Housing: transition housing for women who have left abusive relationships, affordable housing for low-income single mothers, supportive housing for pregnant women and new mothers with substance use issues.
- Support services for low-income single mothers and their children.
- Youth development: delivery of mentorship programs and after-school programs for girls and boys, designed to build developmental assets, reduce violence against women and address urgent issues facing today's youth

Safe and affordable housing is important at each stage of life: for young children it fosters healthy child development; for youth it provides stability in the challenging period of adolescence and early adulthood; and for mothers, it provides a safe, secure home to raise a family and move towards personal and economic independence.

These homes will be targeted to women with children who are in need of emergency housing as well as more stable long term homes at deeper affordability levels with rents ranging from welfare rates to 70% of Housing Income Levels.

The project will build on the existing relationship built up over the past few years in taking forward the innovative partnership with YWCA, Vancouver Public Library and the City on the Strathcona Library project.

The Site

The current user of the land at 3090 E. 54th Avenue is the Vancouver Fire and Rescue Services. The City intends to construct a new fire hall and maximize the built form by adding a Non-Market housing facility above the fire hall. The site is well situated to house families as it is directly across the street from Champlain Mall with access to diverse food sources, is in close proximity to Killarney Community Centre and Captain James Cook Elementary School, and is on an arterial route with good bus transportation. The safety and security that families will feel living above a fire hall, with a 24 hour, seven day a week presence, will be an added benefit.

The facility will be designed to accommodate four storeys of wood-framed housing above the fire hall. The YWCA will have on site, a Community Development Worker to provide residents with resources and information on YWCA and community programs.

The YWCA will participate in the design process for the project, working with the City's architects for the project to realize as much as possible the Proponent's vision for the Non-Market housing component within the parameters of design constraints. The City's architects have done a feasibility study to determine an approximate size

and cost of a housing project added above the fire hall. This has increased from the original number of seventeen (17) 2 bedroom units for a cost of \$6m to approximately 31 2 and 3 bedroom units for a cost of up to \$9.0m with a City contribution of up to \$5.5m.

Rental Unit Types

The YWCA proposes approximately thirty-one, 2 and 3 bedroom units of family housing for single mothers and their children, with a mix of second stage transitional housing and units at 70% of the Household Income Limit (HILs) rents for Vancouver. This mix will be finalized at a later date.

It is anticipated that the thirty-one units will house approximately 96 people in total at any given time. This is a meaningful contribution to increasing the Non-Market rental housing stock in Vancouver.

Rent Rates

It is estimated that unit rents would average \$500 per month in the second stage transition units. This assumes most women in the transitional housing will be on income assistance, the shelter portion of which would be their rent.

The rent for the additional 2BR units at 70% of HILs will be \$840 per month (based on the 2014 HILs) and the rent for the 3BR units at between 70% of HILs will be \$980 per month (based on the 2014 HILs).

Tenant Profile

The Development will provide housing for low to moderate income women with children who are Vancouver residents.

In addition to the minimum \$3.5 million capital contribution, the YWCA will provide a \$1.0 million operating endowment to fund the onsite support services.

Strategic Analysis

On May 30th the City issued a Request for Proposals to select a lessee of Non-Market rental housing above the new Fire Hall No 5. In response to the RFP, three submissions were received. A selection committee evaluated proposals and recommended the YWCA Metro Vancouver as the successful proponent.

The key objective of the RFP was to identify an organization to provide:

- rental housing with a deep and protected level of affordability;
- rental housing without the need for operating subsidies from the City;
- expedited delivery of the rental units;
- an innovative approach for deep levels of affordability across a maximum number of units;
- a well-designed residential building to optimize livability for tenants;
- compatibility with Fire Hall Uses; and
- best practice building and asset management to ensure the long term sustainability of the buildings including managing LEED™ Gold building.

Evaluation criteria included:

- Affordability through equity or endowment contributions
- Technical merit
- Development experience

FINANCIAL IMPLICATIONS

Providing Non-Market housing above Firehall No. 5 exemplifies an opportunity to leverage a civic facility for multi-purpose use, and allows for housing to be provided without incremental land cost.

Project Capital Budget -

Housing Construction Costs (excluding land, including contingency):	<u>\$9.0</u>
Proposed Funding Sources:	
City Contribution	\$5.5M
YWCA Contribution	\$2.2M
Other fundraising	<u>\$1.3M</u>
<u>Total</u>	<u>\$9.0M</u>

The gross cost per housing unit is approximately \$290,000. This cost is higher than the average wood frame non-market housing cost per unit (\$225,000) and reflects:

- Larger, multi-bedroom units for family tenants;
- Provision of shared amenity, office and communal facilities required for onsite support services;
- Construction of building to post disaster standards to meet firehall requirements;
- Enhanced structure to strengthen the firehall to carry housing on top; and
- Higher elevator and stairwells due to increased height above firehall.

The addition of the housing component requires an increase of \$9.0 million to the capital budget for the replacement of Firehall No. 5 of \$10.13 million, bringing the total budget to \$19.13 million. As the project spending will take place in 2014 and 2015, there will be no increase in the 2013 capital expenditure budget. Source of funding for the City's contribution of up to \$5.5 million is the 2014 Capital Budget for Non Market Housing - Affordable Housing Opportunities (subject to Council approval of the 2014 Capital Budget), with up to \$1 million to be expended in 2014 and the remainder in 2015.

Staff will continue to seek opportunity to value-engineer and minimize construction cost. Working with the YWCA, staff will finalize the operating model and affordability level, and determine if the rent revenue can sustain an additional prepaid rent which can be used to further the City's investment in other housing projects in Vancouver.

Operating Funding

Consistent with Council policies on all non-market housing projects, the project is expected to be self-sustaining and does not require further operating subsidies. YWCA will be responsible for all operating and capital maintenance cost related to this leased space. The YWCA will contribute an operating endowment of \$1 million to fund the onsite support services, and will continue to fundraise to cover all operating costs. The City and the YWCA will enter into an agreement on an operating model to ensure financial sustainability and operating viability of the Non-Market housing project. The proposed model will contribute towards achieving Council's housing objectives set out in the Housing and Homelessness Strategy.

As operating surpluses become available, there will be opportunities to enhance affordability onsite or create new affordability in Vancouver. Operating surpluses are generally shared 50/50 between the City and the YWCA after contributions to top up the capital replacement reserve and to build an operating reserve to limits acceptable to the Director of Finance. The YWCA may use its portion to enhance affordability onsite or invest in other Non-Market housing projects within Vancouver.

CONCLUSION

City Staff recommend that the City of Vancouver enter into a 60 year lease agreement with the YWCA Metro Vancouver as Lessee for approximately thirty-one units of Non-Market housing above Fire Hall No 5 located at 3090 East 54th Avenue and to increase the capital budget for the increased scope related to the addition of Non-Market housing above the fire hall.

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