



ADMINISTRATIVE REPORT

Report Date: January 13, 2014
Contact: Brenda Prosen
Contact No.: 604.873.7207
RTS No.: 10378
VanRIMS No.: 08-2000-20
Meeting Date: January 22, 2014

TO: Standing Committee on Planning, Transportation and Environment

FROM: The General Manager of Community Services in consultation with the General Manager of Financial Services, the General Manager of Real Estate and Facilities Management, and the Director of Legal Services.

SUBJECT: Appointment of Lessee and Operator: Yale Hotel, 1300 Granville Street

RECOMMENDATION

- A. THAT, subject to approval of Recommendation E, Council approve Community Builders Benevolence Group ("CBG") as lessee and operator of 43 Single Room Occupancy (SRO) rooms owned by the City on the top two floors of the former Yale Hotel, the principal civic address of which is 1300 Granville Street and which is legally known and described as Air Space Parcel 1 Block 113 District Lot 541 Group 1 New Westminster District Plan EPP32587 (the "Yale ASP").
- B. THAT, subject to approval of Recommendation E, Council authorize the Director of Real Estate Services on behalf of the City to negotiate the terms of, and to enter into, a 20 year lease (the "Lease") of the Yale ASP to CBG, with two 20-year extension options, for nominal pre-paid rent of \$10.00 and on other terms and conditions as generally outlined in this report.
- C. THAT, subject to approval of Recommendation E, Council authorize the General Manger of Community Services on behalf of the City to concurrently negotiate the terms of, and to enter into, a 20 year operator agreement (the "Operator Agreement") with CBG, with two 20-year extension options, to govern the operation of the Yale ASP on the terms and conditions acceptable to the General Manager of Financial Services and the General Manager of Real Estate and Facilities Management and as generally outlined in this report.
- D. THAT, subject to approval of Recommendation E, Council authorize the Director of Legal Services to negotiate and execute any other legal documents that she may deem appropriate in connection with the Lease and Operator Agreement.
- E. THAT no legal rights or obligations shall arise or be created by Recommendations A, B, C or D above until the Lease, Operator Agreement and related legal documentation have been entered into by the duly authorized signatories of all parties, on terms and conditions satisfactory to the Director of Legal Services.

The value of the 20 year lease is based on 25% of the replacement value of the airspace parcel. This results in a value for the lease of approximately \$1.575 million based on an estimated replacement value of \$6.3 million. As the prepaid lease of the Air Space Parcel (\$10.00) is below the applicable market rate of **\$6.3 million**, RECOMMENDATION B constitutes a grant valued as approximately **\$1.575 million** and approval requires eight affirmative votes from Council.

REPORT SUMMARY

The purpose of this report is to recommend the appointment of CBG as the lessee and operator of forty three (43) renovated SRO on the upper two floors of the former Yale Hotel located at 1300 Granville Street and provides an overview of the procurement process used to reach this recommendation.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

On October 21, 2003, Council approved the SRA Bylaw # 8733 as part of the effort to protect low-income tenants from becoming homeless which:

- Protects the number of affordable single room accommodation (“SRA”) rooms available in the City and;
- Designates that SRA includes residential hotels, rooming houses, and other buildings with rooms less than 320 square feet on the City's SRA inventory.

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

- Strategic Direction 2: Encourage a housing mix across all neighbourhoods that enhances quality of life, and includes protecting existing stock;
- 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 which recognizes a continuum of housing options available to households of all income levels.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS *

The renovated, City-owned rooms in the Yale ASP on the upper two floors of the Yale Hotel enables the City to secure forty-three (43) SRA rooms for low and moderate income individuals in core housing need. The General Manager of Community Services RECOMMENDS approval of the foregoing.

REPORT

Background/Context

In July 2008, Council approved a rezoning application (RTS 07134) and as part of this application, staff recommended approval of the SRA demolition/conversion permit to demolish 50 designated SRA units at 1336 Granville Street (Cecil Hotel) and one designated SRA unit at 1300 Granville Street (Yale Hotel). The public benefits of the project contributed to the City's

affordable housing goals in the form of the City’s long term ownership and control of the upgraded Yale SRA rooms, as well as the City’s heritage goals, through the designation and restoration of the Yale Hotel building.

Strategic Analysis

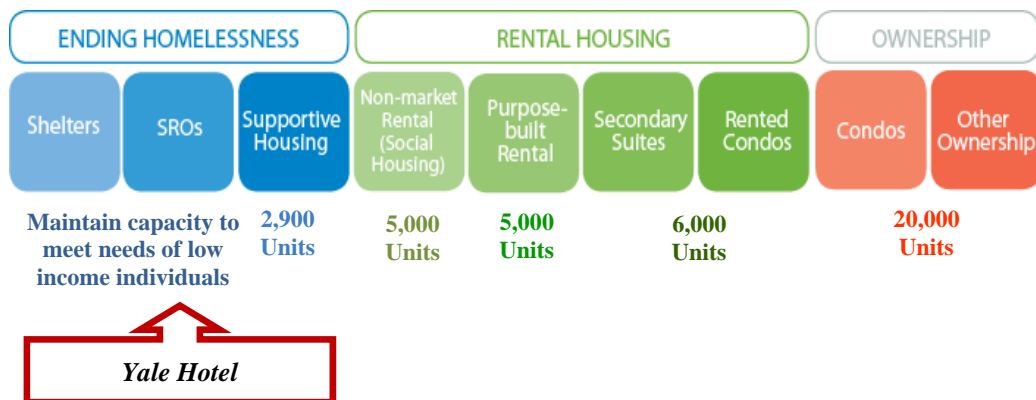
Council’s housing policy is to maintain and expand housing opportunities in Vancouver for low and moderate income households. On November 6th, 2013, the City issued a Request for Proposals (“RFP”) to lease and operate the airspace parcel located at 1300 Granville Street. The City received one proposal in response to this RFP. On December 13th, 2013, a selection committee evaluated the proposal and recommended CBG as the successful proponent. The submission was evaluated with weighted criteria that include:

- Affordability;
- Tenants to be served, including income levels;
- Financial sustainability;
- Tenant engagement;
- Building operations experience;
- Experience assuming responsibility for newly renovated building.

When the Downtown South Plan was created in the 1990s and the area was rezoned, it was anticipated that many of the single occupancy hotels located in the area would be redeveloped. In response, Council adopted a one-for-one replacement policy for low-income singles housing in the Downtown South that was to be implemented through a variety of means including construction of replacement housing and purchase of SRO hotels. Priority is given to housing long-term Downtown South residents. The Yale ASP is consistent with and helps to achieve this objective.

BACKGROUND

The “Housing and Homelessness Strategy 2012-2021” (the “Strategy”) is the guiding document for addressing housing solutions in Vancouver. Of particular relevance for this project is the direction to protect existing housing stock by providing incentives for upgrades and to demonstrate leadership in supporting partnerships. The Strategy sets out targets along the housing continuum. Now that the Yale has been deeded to the City, and has been renovated and seismically upgraded, the rooms will be protected and maintained as non-market housing into the future.



This development supports the goals of the City's Housing Strategy, by securing and maintaining capacity in our existing stock for low and moderate income single individuals in core housing need.

The re-opening of the renovated City-owned rooms at the Yale will not increase the overall total, but will shift 43 rooms from private SRO stock to the non-market stock which supports Council's priorities of securing affordability through non-profit management and operation.

Community Builders Benevolent Group (CBG)

CBG is a humanitarian organization, whose network of local partners includes Community Builders Foundation, Community Builders Benevolence Group and the Anhart Foundation. CBG has 12 years of experience operating affordable and supportive housing in Vancouver. As a housing provider, they create and maintain a wellness-focused and cost effective low-income housing environment.

Its approach to affordable housing includes lean operational management with a self-sufficient philosophy, innovative partnerships with social service providers and altruistic professionals who provide pro bono services and, community building in tenant populations by using an integration model that increasingly involves tenants in helping manage the building with some eventually getting employed to do so. CBG will also collaborate with community partners BC Housing and Vancouver Coastal health to provide mental health supports, home support services and crisis intervention for tenants who may require assistance.

CBG proposes to lease and operate these renovated forty three (43) affordable housing units at the Yale ASP, using revenue from affordable rents only and propose the following support services within their operating revenue plan:

- One full time support worker - seven days per week;
- One live in caretaker - on site for overnight services;
- Daily janitorial services;
- A home support worker to provide life skills and medical support,
- Maintenance - three days per week;
- Mental Health support service - as needed once per week.

Lease Overview

The Lease will be for a term of no less than 20 years and will contain options to renew at 20 and 40 years, exercisable by mutual consent. 20 years provides flexibility to the City and CBG to adjust to facilitate housing affordability and other service needs. The lease will be at nominal value. All responsibility for care, maintenance, repair and insurance of the Yale ASP will be assumed by CBG under the Lease.

Operator Agreement Overview

An operator agreement will set out the terms and conditions under which the buildings will be operated. This agreement will generally include the following terms and conditions:

- up to 50% of units will be available to tenants on shelter assistance with approximately 11 units available to tenants from the Old Continental Hotel;
- units with their own bathrooms will rent for approximately \$525 per month;
- the remaining units will rent at approximately \$424 per month ;

- a requirement for the Operator to manage and report on the tenancies, tenant mix, and tenancy turnover to ensure the projects affordability targets are met and sustained over the long term;
- a requirement for the Operator to develop, for approval by the City, and report on annual operating and capital budgets, to collect revenue and pay expenses and to develop a system of record keeping as determined necessary by the City;
- a requirement for annual and five-year written capital maintenance and repair plans for the buildings and systems, for pre-approval by the City;
- a requirement to carry out all maintenance and repairs in a manner acceptable to the City;
- a requirement for a capital replacement reserve (of a minimum of \$67/unit/per month) and an operating reserve to be provided by the HS;
- a provision that any operating surpluses, after the required reserves are funded, and as and when they are achieved ,will be shared 50/50 between the City and the HS, who must reinvest any surplus received in social housing within Vancouver;
- a requirements for appropriate property and liability insurance coverage;
- cross default provisions with the Leases;
- provisions regarding all other aspects of the operation and management of the facility, and performance of obligations under contracts by which Parcels 5 and 9 is bound; and
- such other terms and conditions as may reasonably be requested by the General Manager of Community Services, the General Manager of Real Estate and Facilities Management, the Director of Real Estate Services, the Director of Finance, and the Director of Legal Services.

DISCUSSION

The Site

The former Yale Hotel and Cecil Hotel site is located at 1300 Granville, at the corner of Drake Street. On September 16, 2008, City Council approved a rezoning at 1300-1336 Granville Street from DD to CD -1 to allow for the development on the former Cecil Hotel site of a mixed-use tower with a two-story commercial podium and 21 story of residential floor area above. As part of the site redevelopment, the Yale Hotel, a heritage designated SRO building, was seismically upgraded in accordance with the City's building specifications, to enable the top two floors to be retained as low-income housing in perpetuity, with a pub on the ground floor as previously operated. As a condition of the CD-1 rezoning, upon completion of the upgrade, the former Yale Hotel building was subdivided to create the Yale ASP, and the developer agreed to then transfer it to the City for nominal value. That transfer is scheduled to occur on January 17, 2014, and in any case will be finalized before the Lease and Operator Agreement are entered into with CBG.

Request for Proposal Timelines

- On November 6th, 2013, an RFP "Operator Selection for the Provision of Affordable Rental Housing Associated with the Yale Hotel" was released;
- On November 21st, 2013, an information session and tour of the building to encourage non-profit housing organizations to apply;
- On December 3rd, 2013, one submission was received and reviewed by a committee of representatives from Purchasing, Finance, and Housing weighing criteria that included affordability, technical merit, operation management competency, development experience and innovation.

- On December 13, 2013, CBG was selected as the successful proponent based on their operational experience, new development experience and their ability to provide social services through innovative partnerships with altruistic professionals who provide pro bono services.

Request For Proposals Objectives

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

- Rental housing with a deep and protected level of affordability ;
- Rental housing without the need for operating subsidies from the City;
- An innovative approach for deep levels of affordability across a maximum number of units over and above those units earmarked for returning tenants;
- Best practice in building and asset management to ensure the long term sustainability of the building;
- Compatibility with the Yale Hotel pub use.

Rental Unit Types

The unit type and interior amenities include:

- 2nd floor - 22 units including 7 with washrooms and 15 without washrooms;
- 3rd floor - 21 room including 8 with washrooms and 13 without washrooms;
- 43 units total;
- Common laundry area on each floor;
- Common washroom facilities on each floor;
- Storage and garbage holding area on each floor;
- There are no other interior or exterior amenity space associated with the building;
- No parking spaces are associated with the building;
- There is no elevator.

Rent Rates

There will be a mix of below market and market tenants for this SRO selected on the following criteria.

- Up to 50% of the units will be available to tenants on shelter assistance or disability pension receiving a housing allowance of \$375.00 per month. This includes approximately 11 tenants from the Old Continental Hotel which is slated for demolition later this year and who have expressed interest in staying in the downtown area by relocating to the Yale Hotel;
- The remaining units will be rented at market rents for area SROs. Units with bathrooms will rent at approximately \$520 per month. Units without bathrooms will rent at approximately \$442 per month.
- Approximately 16 former tenants of the Yale Hotel were given a first right of refusal by the City and have agreed to return to the building.
- Other potential tenants will be invited by the operators to apply for tenancy in the remaining units in an open and equitable process offering rooms on a rent-geared-to income basis.

Implications/Related Issues/Risk (if applicable)

Financial

The funding for the renovations to the 43 rooms was provided for as part of the rezoning described earlier in this report. The estimated cost of these renovations at the time of the rezoning was \$3.976 million

The lease will be for a term of 20 years and at a nominal rate. This constitutes a grant which is valued at 25% of the replacement cost of the rooms or \$1.575 million.

CBG is responsible for the ongoing operation and funding of the Project. The City is not expected to provide any operating subsidies and financial guarantees or indemnity.

Annual surpluses will be set aside in a reserve to be used to maintain and/or enhance affordability.

The City and CBG will enter into an Operator Agreement to ensure financial sustainability and operating viability of this affordable housing project,

Risks

Further discussions on the rent and staffing model will be undertaken with CBG to ensure returning and new tenants are paying appropriate rents, to ensure future rent increases are in accordance with the Rental Tenancy Branch conditions and to ensure that any required supports are available to the tenants.

CONCLUSION

The proposal helps to achieve Council's housing objectives set out in the Housing and Homelessness Strategy to improve the low-income housing stock, while securing affordability by recommending approval of a non-profit operator for 43 renovated rooms at the Yale Hotel. City Staff recommend that the City of Vancouver enter into 20- year Lease and Operator Agreement with CBG with two 20-year options to renew for 43 renovated rooms of affordable housing in the Yale ASP, located at 1300 Granville Street.

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