



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: October 9, 2014
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VanRIMS No.: 08-2000-21
Meeting Date: October 15, 2014

TO: Vancouver City Council

FROM: General Manager of Community Services and Chief Housing Officer

SUBJECT: Lease Terms and other arrangements for Temporary Supportive Housing at
1335 Howe 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 negotiate a sub-lease (the "Sub-Lease") with Community Builders Foundation (2013) (CBF) with a value of **s.17(1)**, for the operation of the city-leased property at 1335 Howe Street, legally described as PID 004-481-488, 004-481-496, 004-481-500, 004-481-518, 004-481-526, 004-481-534, 004-481-569, 004-481-593, Lots 27 - 34, Block 111 District Lot 541, Plan 210, on the following terms and conditions:
- i. A term of up to 24 months;
 - ii. Nominal prepaid rent of **s.17(1)** as well as an operating subsidy as further described in this report;
 - iii. CBBF responsible for day to day repairs and maintenance of the in-suite components and minor building components; payment of utilities; tenant management; tenant support services; provision of breakfast daily;
 - iv. City responsible for costs of the maintenance and repair of major building components such as elevator and heating/ventilation system; and

- v. CBBF to ensure that tenants will consist primarily of people being transferred from shelters or who are homeless, who are assessed as ready for housing and more independent living.
- B. THAT the Sub-Lease may be on such further and other terms as are acceptable to the Chief Housing Officer, Director of Real Estate Services, and General Manager of Community Services, and upon such Sub-Lease being acceptable to them, such Sub-Lease may be executed and delivered on behalf of the City by the Director of Legal Services.
- C. THAT no legal rights or obligations will be created by Council's adoption of the above Recommendations unless and until a Sub-Lease is negotiated, executed and delivered by the City and CBBF.
- D. THAT Council direct staff to continue to work with BC Housing to enable their contribution to the operating costs of this interim supportive housing site for homeless individuals and those at high risk of homelessness in Vancouver.

Recommendation A.ii., constitutes a grant and requires 8 affirmative votes.

REPORT SUMMARY

As part of the City of Vancouver's goal to end street homelessness in Vancouver by 2015, Council approved on 30 September 2014 (RTS10737) a two (2) year lease of the Premises between Townline, as Landlord, and the City of Vancouver, as Tenant for use as interim housing commencing November 6, 2014. This project will provide 157 interim housing rooms and related support services. Council also approved an operating budget estimated in the range of s.17(1) per year.

Further to the approval to the lease with Townline, we received proposals from two experienced operators, Lookout and Community Builders Foundation to operate the building. Following an assessment of the proposals, the General Manager of Community Services and Chief Housing Officer recommend that Community Builders Foundation is selected as the operator.

This report seeks Council authority to enter into a lease with Community Builders Foundation (2013) for the operation of 1335 Howe Street with an annual net operating budget up to s.17(1) in the absence of BC Housing funding which we continue to seek.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- Housing and Homelessness Strategy 2012-2021
- Supportive Housing Strategy 2007
- Council Report RTS 10737 30 September 2014

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

Supportive housing is an important part of the City's housing continuum and plays a key role in helping individuals stabilize their lives and move towards greater independence and contribute to their community. The rooms at 1335 Howe Street will make a significant contribution to the lives of the homeless or those at risk of homelessness and will create urgently needed capacity to align with the plan outlined by the City in the Supreme Court of British Columbia in the recent Oppenheimer Park injunction hearing.

We have worked with Community Builders Foundation on a number of projects including Ramada East Hastings where they have shown positive outcomes working with the hard to house residents and in addition, with the local community who were originally concerned with the proposed resident group. There has been strong engagement with the community through the community advisory council which will be a key tool for the ongoing management of this location.

Discussions continue with BC Housing to seek their support for the operational funding. BC Housing has the mandate for creating sufficient capacity for the homeless and the hard to house. Interim supportive housing is a critical tool in the menu of options which have been utilized by BC Housing in the Provincial Homelessness Initiative and allows attaining the housing first principle.

REPORT

Background/Context

1335 Howe Street is an important piece of the strategy to end street homelessness with the addition of 157 new units of temporary, supportive housing. The building is a hotel (Quality Inn) which is being closed at the end of October and will be demolished in two years for re-development. In the interim, the City has leased the building for a two year term and will make it available for immediate use in early November to provide much needed temporary housing until it is redeveloped. Council approved the lease with the developer, Townline on 30 September 2014 and details of the proposed agreement are set out in the council report RTS 10737.

Strategic Analysis

Council has a goal of ending street homelessness by 2015, and increasing affordable housing options for everyone.

The 157 spaces at 1335 Howe Street are part of an already expanded housing strategy that includes the recent opening of 40 new shelter spaces at 900 Pacific and 30 at the Union Gospel Mission (601 E. Hastings), and the 30 extra beds at the Salvation Army recently announced by the Minister of Housing. All these facilities add incremental capacity which will benefit those who are homeless, including individuals from Oppenheimer Park.

The City is under pressure to deliver additional supportive housing options for the homeless and is also facing pressure because of the encampment at Oppenheimer Park. The City continues to work with BC Housing on our shared homelessness

initiative to house those with mental health and addictions. The temporary units at 1335 Howe are intended to provide a transitional step for those currently residing in shelters, or those who are street homeless, before moving to new permanent housing units coming on stream. Three new supportive housing projects, two of which are sites secured under the 14 sites Memorandum of Understanding with BC Housing, are anticipated to open this fall resulting in an further 249 units for street and sheltered homeless: 2465 Fraser (81 units) and 111 Princess (111 units) both opening in October and Taylor Manor (56 units) opening in December. An additional 117 units at 220 Princess are anticipated to be completed in spring 2015.

The City and CBF have agreed to the terms outlined in this report whereby the City will sub-lease 1335 Howe Street (157 units) to CBF for a period up to two years.

Operational Analysis

We have expedited the selection of the non-profit operator to enable the property to be available for tenanting as early as possible from completing the lease with Townline on 6th November 2014. We can also engage early with the local community once the operator is appointed.

Proposals were sought from two non-profit housing and support service providers (Lookout Housing Society and CBF) who have experienced with working with this client group. Both providers demonstrated a strong track record in managing this type of housing and put forward an effective approach to managing this particular building. After a staff review, CBF proved to have the most cost-effective model as well bringing a strong track record of working with the City and an innovative approach, partnerships with key health providers and engaging with the local community, and so staff are recommending them to be the chosen Operator.

CBF has a proven track record and currently operates 3475 E Hastings (the former Ramada Hotel) in partnership with the Aboriginal Friendship Centre Society, on behalf of the City, as well as Single Room Occupancy (SRO) hotels. Community Builders Foundation (CBF) is a humanitarian organization with 12 years of affordable and supportive housing experience in Vancouver. CBF operates in a network of housing providers which also includes Community Builders Group and the Anhart Foundation. As a housing provider, they create and maintain a wellness-focused and cost-effective low-income housing environment. They will utilize applicable elements of their 'Whole Life Housing' plan in operating this building. This model includes supportive housing administration, building management, tenant support coordination, community resource liaison services, concurrent disorder supports, building maintenance, housekeeping services, advanced pest management, free laundry, specialized hoarding and waste management series, one community meal and tenant leadership development.

CBF are also finalizing partnerships with nearby St Paul's hospital for some psychiatry support services with Dr Bill McEwan. In addition, the City is working with Vancouver Coastal Health to identify additional primary, mental health & addictions support services in the locality.

CBF has submitted a largely break-even business model with rents collected from tenants each month providing the basis for covering the costs of the daily operations of the building. Staff have reviewed the operating model details provided by CBF and

are confident that the daily operations of the building can be covered by the Operator. The City will retain a contingency budget to supplement the operating costs if necessary.

The Operations Management Plan (OMP) for the building outlines how the building will be managed. Appropriate staffing levels will be maintained onsite at all times (minimum of two staff, 24/7), and the community will be provided with a 24/7 contact number should they have any concerns. The OMP requires that a Community Advisory Committee be established, which brings together residents, businesses and other community organizations with the Operator and support services provider, the City, Vancouver Police Department and other key stakeholders to mitigate any concerns that may arise, and ensure the building and its residents are successfully integrated into the community.

Tenancing of the building is expected to begin once the City takes over the lease of the building from Townline. This is expected in early November following completion of minor renovations. Full occupancy of the building is expected within 4-5 weeks. The Carnegie Community Outreach Team will provide tenant referrals to CBF that includes information useful for tenant selection using the Vulnerability Assessment (VAT) tool. This tool will be used initially to determine the level of support needed by prospective tenants. The VAT tool will also be used by CBF and the Carnegie Community Outreach team in the on-going management of the building to monitor the support needs of tenants and also to inform decisions about future permanent housing options.

The temporary supportive housing will exist for two years in this location, so significant efforts will be made by both CBF and Carnegie Community Outreach team throughout this two-year period to move tenants onto more permanent housing options. BC Housing will also be a vital partner in these efforts and their recently announced Rental Supplement program will be the primary source for locating and securing future permanent housing for the tenants.

Implications/Related Issues/Risk (if applicable)

Financial

LEASE (CITY & TOWNLINE) & PROJECT BUDGET - Approved by Council (RTS10737)

On September 30, 2014, Council approved the 2-year lease between the City and Townline commencing on November 6, 2014. s.17(1), the City will pay basic rent of s.17(1) per room per month for 157 rooms, totaling s.17(1) per annum or s.17(1) over the term of the lease.

Council also approved the overall project budget and funding sources for the lease and associated capital and operating costs as follows:

Table 1: Council-approved Project Budget

| | 2014 | 2015 | 2016 | Total |
|----------------------------|---------|------|------|-------|
| Capital Costs | | | | |
| Improvements & Renovations | s.17(1) | | | |
| Operating Costs | | | | |
| 2-yr Lease | | | | |
| Facility & Programming | | | | |
| <i>Total per year</i> | | | | |
| Operating Income | | | | |
| Tenant Rent | | | | |
| Net Operating Costs | | | | |

Council-approved funding sources -

- ***Operating*** - 2014 costs up to s.17(1) will be funded from the 2014 Housing Operating Budget. The remainder will be funded from the forecast 2014 Operating Surplus to be set aside in a reserve with any excess funded through the 2015 and 2016 budget process.
- ***Capital*** - 2014 capital costs totalling s.17(1) will be funded from the 2014 Capital Budget for Non-Market Housing - Affordable Housing Opportunities.

RECOMMENDED SUB-LEASE: CITY & CBBF

Nominal Rent - The 2-year sub-lease between the City and CBBF commences on November 6, 2014. The nominal sub-lease is valued at s.17(1) (Table 1), which is the basic rent the City pays Townline over the term of the lease. Townline is responsible for all applicable property taxes.

Improvements & Renovations - The City is responsible for fitting out the premise for social/supportive housing use at an estimated cost of s.17(1) (Table 1).

Capital Maintenance & Life Cycle Replacement - Townline is responsible for all capital maintenance and life cycle replacement for the premise, including structural elements and major building system. Townline is only responsible for such costs if the amount is less than four months minimum rent under the lease. If Townline becomes liable for capital expenditures in excess of that amount it may terminate the lease, or else the City may choose to undertake the expense, in which case Townline would be responsible for 25% up to an aggregate maximum of s.17(1).

CBBF's Responsibilities -

Facility Costs - CBBF will be responsible for all operating costs of the building, including but not limited to utilities, insurance, repairs and maintenance costs associated with the day-to-day operations. City will be responsible for the maintenance agreements for plumbing/electrical/elevators/general fire and safety.

Programming Costs - CBBF will be responsible for managing the day-to-day operation of the social/supportive housing project, including but not limited to tenant relations management, provision of on-site supportive services, room rental, rent collection, and payment of operating and maintenance costs. The City will retain a s.17(1) contingency fund to support any additional requirements taking into account the innovative approach being proposed and in the absence of BC Housing funding.

Rental Income - It is expected that the project will generate approximately s.17(1) rental income per annum (minimum rent s.17(1) per room per month), which will help offset a portion of the operating costs.

Below is the project budget developed by CBBF and supported by City staff:

Table 2: CBBF Annual Operating Budget

| | |
|---|---------|
| Programming & Operating | s.17(1) |
| Facility Maintenance | |
| <i>Total Operating Costs</i> | |
| Rent Revenue | |
| <i>Total Operating Deficit</i> | |
| Contingency | |
| Maximum Annual Operating Subsidy | |

Gross programming and facility costs are estimated to be s.17(1) per annum (2014 prorated - s.17(1)). After rental income of s.17(1) is applied (starting in 2015), operating deficit is estimated to be s.17(1) per annum. Including s.17(1) contingency, the maximum annual operating subsidy from the City would be s.17(1) . The City would advance the operating grant (excluding contingency) to CBBF on a quarterly basis, and set aside the contingency to be disbursed as required, subject to approval of the Chief Housing Officer and the Director of Finance.

The maximum annual operating subsidy of s.17(1) (Table 2) plus annual lease payments of s.17(1) to Townline (Table 1), totalling s.17(1) million per annum, is within the Council-approved operating budget of s.17(1) million (Table 1). As approved by Council on September 30, 2014 (RTS10737), the 2014 costs will be funded from the 2014 Housing Operating Budget. The 2015 & 2016 costs will be funded from the forecast 2014 Operating Surplus to be set aside in a reserve with any excess funded through the 2015 and 2016 budget process.

CONCLUSION

Staff recommend that Council approve the recommendations in this report, sub-leasing the 1335 Howe Street (former Quality Inn) to Community Builders Foundation for the purpose of operating temporary supportive housing for two years.