



## ADMINISTRATIVE REPORT

Report Date: July 13, 2015  
Contact: Abi Bond  
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RTS No.: 11044  
VanRIMS No.: 08-2000-20  
Meeting Date: July 21, 2015

TO: Vancouver City Council  
FROM: Chief Housing Officer  
SUBJECT: Grants to Support Upgrading of SROs

### **RECOMMENDATION**

- A. THAT Council approve a grant of \$530,000 to Atira Women's Resource Society to be put towards renovations of the SRA designated Murray Hotel, 1119 Hornby Street, source of funding is the 2015 Capital Budget for Housing (SRO grants), subject to: (1) Atira first entering into a lease with the owner of the Murray Hotel on terms and conditions satisfactory to the City; (2) all required development and building permits having been issued by the City; and (3) the Housing Agreement described below having been registered on title.

FURTHER THAT Council approve, in principle, a Housing Agreement with Atira Women's Resource Society pursuant to section 565.2 of the Vancouver Charter securing the 106 rooms at 1119 Hornby for the term of the lease (15 years) to:

- a. maximize affordability of all rooms;
  - b. target the tenant contribution to rent to the shelter component of income assistance (currently \$375 for a single person) for one third (35) of the rooms; and
  - c. such other terms and conditions as the Director of Legal Services and the Chief Housing Officer may require.
- B. THAT Council approve a grant of \$180,000 to the Mah Society of Canada be put towards the renovation of 36 SRA designated rooms at 137-139 East Pender Street (Asia Hotel), source of funds is the 2015 Capital Budget for Housing (SRO grants), subject to: (1) all required development and building permits having been issued by the City; and (2) the Housing Agreement described below having been registered on title.

FURTHER THAT Council approve, in principle a Housing Agreement with the Mah Society of Canada pursuant to section 565.2 of the Vancouver Charter to:

- a. maximize affordability of all rooms;
  - b. target the tenant contributions to rent to the shelter component of income assistance (currently \$375 for a single person) in one third (12) of the rooms; and
  - c. such other terms and conditions as the Director of Legal Services and the Chief Housing Officer may require.
- C. THAT Council approve an amendment to the conditions of the Housing Agreement with Lookout Emergency Aid Society, approved in principle on June 11, 2014 (RTS 10611), for 376 Powell (Sakura So) that required rents to be restricted to the shelter component of income assistance on all 38 rooms to requiring rents be so restricted to at least one third of the rooms to ensure the housing remains operationally viable.
- D. THAT recommendations A, B, and C be adopted on the following conditions:
- a. THAT the passage of the above resolutions creates no legal rights for the applicant or any other person, or obligation on the part of the City; any expenditure of funds or incurring of costs is at the risk of the person making the expenditure or incurring the cost;
  - b. THAT any approval that may be granted shall not obligate the City to enact a housing agreement by-law, and any costs incurred in fulfilling requirements imposed as a condition of entering into a Housing Agreement are at the risk of the property owner; and
  - c. THAT the City and all its officials shall not in any way be limited or directed in the exercise of their authority or discretion, regardless of when they are called upon to exercise such authority or discretion.
- E. THAT, if Council approves in principle the Housing Agreements described in Recommendations A, B, and C above, the Director of Legal Services be instructed to prepare the necessary Housing Agreement By-laws for enactment after the Housing Agreements have been agreed to and signed by the respective applicants and their mortgagee(s).
- F. THAT Council direct the Chief Housing Officer and the non-profit operators receiving grants to work with BC Housing to leverage rent supplements to allow low-income tenants on income assistance in the majority of rooms.

Note: The approval of grants requires that not less than two thirds of the members of Council present to vote in the affirmative.

## REPORT SUMMARY

This report seeks approval to enter into Housing Agreements with Atira Women's Resource Society and the Mah Society of Canada to support improvements to liveability and building conditions in three SRA designated buildings. The report also recommends an amendment to the conditions of the Housing Agreement with Lookout Emergency that was approved June 11, 2014. As a condition of the grant, Lookout was required to enter into a Housing Agreement that restricted rents for all 38 rooms to the shelter component of income assistance (currently \$375 for a single person). While the mandate of the organization is to provide affordable housing, the rent restrictions included in the Housing Agreement limit the viability of the housing and restrict the operators ability to properly maintain and manage the building. This report recommends amending the Housing Agreement to provide flexibility, by restricting rents in one third of the units to the tenant's contribution to the rent at the shelter component of income assistance.

Rents at the Murray Hotel average \$448, and \$450 at the Asia hotel and \$390 at Sakura So. While the Housing Agreement proposed in this report restricts the tenant contribution to rent at the shelter component of income assistance for a third of the rooms, each organization is committed to maximizing affordability. However, a range of rents is necessary to ensure the buildings remain operationally viable. The current shelter component of income assistance for a single person (\$375) does not reflect the true cost of management and maintenance required which is estimated to be closer to \$450-\$500 depending on the type and age of the building. Staff will continue to work with our non-profit partners and BC Housing to seek additional rent supplements to increase the number of rooms where the *tenant contribution* to rent is the shelter component of income assistance.

The report recommends the following grants:

- \$530k to Atira Women's Resource Society for 106 SRA designated rooms at the Murray Hotel (1119 Hornby)
- \$180k to the Mah Society of Canada for 36 SRA designated rooms at the Asia Hotel (137-139 E Pender St,)

Approval of these grants and Housing Agreements will support life safety improvements and enhance liveability for tenants living in SRAs which is an essential component of the SRO strategy. Supporting the improvement of these buildings for low income residents is consistent with Council's Affordable Housing and Homelessness Strategy, as well as the Housing Directions in the DTES Local Area Plan.

## COUNCIL AUTHORITY/PREVIOUS DECISIONS

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

1. Increase the supply of affordable housing;
2. Encourage a housing mix across all neighbourhoods that enhances quality of life; and,
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 grant request are to optimize the City's use of capital grants to leverage and support housing partnerships; and to focus our efforts with partners on preventing and eliminating homelessness.

On March 15, 2014, Council approved the Downtown Eastside Local Area Plan. The goal of the Plan is to improve the lives of low-income DTES residents and community members. The Plan supports the creation of new social housing, encourages upgrades of the existing stock and encourages new forms of market housing while maintaining the existing neighbourhood character and revitalizing the area without displacement of residents, particularly low-income residents. To support the implementation of the SRO Strategy, Council also approved a \$2M allocation from the 2015-2018 Capital Plan to provide grants to non-profit housing providers to improve livability and life safety conditions in rooms designated under the SRA By-law.

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

The Chief Housing Officer recommends approval of the foregoing.

#### *REPORT*

##### *Background/Context*

Council Policy is to preserve and maintain a stock of market rental housing, and to maintain and increase the stock of affordable and social housing in the city. The City's social housing priorities are the homeless, those at risk of homelessness, low and moderate income families with children; seniors on fixed incomes or in need of support; SRO residents; the mentally ill and physically disabled. The recently adopted DTES Local Area Plan noted the importance of Single Room Occupancy Hotels and while the long term goal is to replace them with self-contained social housing, the plan recognizes the importance of improving the quality of the existing stock, minimizing loss of the stock, maintaining affordability and ensuring tenants have adequate supports to remain housed.

In situations where the development or renovation of social housing projects is not viable, or where the financing of such work would affect affordability, and where a City contribution will assist in meeting the needs of low income households, Council has provided capital grants to social housing sponsors. Such contributions help ensure the projects can proceed in a timely manner, and help ensure that rents in these properties can be reduced or maintained as affordable to low-income households.

##### *Atira Women's Resource Society*

Atira Women's Resource Society (Atira) is a non-profit organization established in 1983 providing a range of housing and services to women who are marginalized. Their programs include counseling, legal advocacy, addictions recovery and employment training as well as the operation of 14 housing projects for both men and women.

Atira is currently operating the Murray Hotel which is owned by Kenstone properties. Kenstone has agreed to enter into a 15 year lease with Atira to manage and operate 106 SRA designated rooms at the Murray Hotel (1119 Hornby).

#### *Mah Society of Canada*

The Society was formed in 1919 and incorporated as a mutual help organization providing support and services to the Mah family members as well as new immigrants. The building at 137-139 East Pender Street serves as the national headquarters for branches in Vancouver, Calgary, Edmonton, Regina, Winnipeg and Toronto. This building is a Class "C" heritage building constructed in 1913 and purchased by the Society in 1920. The top floor was added in 1922 to serve as the Society's "clubhouse". This 5 storey building has a restaurant on the ground floor, 36 SRA designated rooms on the second to fourth floors, and the clubhouse on the fifth floor.

In addition to providing non-market housing, the Society contributes to the revitalization of Chinatown through various programs and active participation in community events such as the annual Chinese New Year Parade. The Society has also been very active in the Vancouver Chinatown Revitalization Committee and is one of the founding members in organizing the Chinatown Society Heritage Buildings Association. The 36 rooms at the Asia Hotel are currently being managed by Atira.

#### *Lookout Emergency Aid Society*

Lookout Emergency Aid Society (Lookout) is a charitable organization established in 1971 that provides social housing and a range of support services throughout Metro Vancouver to adults with very low incomes who have few, if any, housing or support options. Lookout operates 22 buildings in Vancouver, New Westminster and the North Shore including shelters, residences, a drop-in centre and administration offices.

Through supportive and permanent housing, Lookout provides homes to a total of 591 people across Metro Vancouver, including 129 units of supportive housing at 188 East 1<sup>st</sup> Avenue (one of the City / Provincial Homelessness Initiative 14 sites.) Lookout also provides transitional housing to an additional 166 people.

The 38 rooms at 376 Powell Street (Sakura So) have housed individuals who have come from the street or shelters and are supported by on site tenant support workers paid for through income from tenant rents, retail rents, and an annualized grant from Vancouver Coastal Health. Sakura So offers "supported transitional units" and aims to move residents to better and more permanent housing over time. On average, Sakura So has housed 52 people per year reflecting that 13 people per year move out of homelessness into permanent housing and greater stability. While Sakura So has been maintained as one of the best structural residential buildings in the DTES, there are mechanical, life safety, and other material improvements related to health and liveability that are now urgently needed.

## *Strategic Analysis*

### *Atira Women's Resource Society (1119 Hornby Street, Murray Hotel):*

The proposed grant is \$530,000 (\$5,000/room for 106 rooms). The total renovation budget is \$616,000 and Atira will raise the remaining \$86,000 to complete the renovations. Approval of this grant will help Atira lever funds from other governments and partners to bridge the gap, and will help retain and renovate an important low income/supported housing asset, while maintaining the tenant contribution for rents at the shelter component of income assistance rates (currently \$375/month) for a third of the rooms.

Kenstone recently completed exterior renovations. The grant proposed in this report would upgrade common washrooms including new piping/plumbing, fixtures and finishes which will significantly improve liveability for tenants. When combined with a Housing Agreement that secures non-profit management for a period of 15 years, the grant is a strategic investment in affordable rental accommodation for low income individuals. Because the renovations are limited to common washrooms, there will be no tenant displacement related to the renovations (the work will also be staggered to ensure adequate bathroom facilities are provided while work is underway).

### *Mah Society of Canada (137-139 E. Pender Street, Asia Hotel):*

The proposed grant is \$180k (\$5,000/room for 36 rooms). The total renovation budget is \$2,572,752. The Mah Society is providing \$650,000 in equity, BC Housing is providing \$500,000; Council has approved Chinatown Revitalization Grants (\$200,000) and a DTES Capital Grant (\$50,000) and a Façade grant (\$50,000) will be brought to Council at a late date. The remaining \$942,725 will be financed through a mortgage.

The overall project includes major renovations that are part of critical repairs and upgrades necessary to keep the building operational in the long-term. The \$180k proposed in this report will be used to provide a cooking and food preparation station in each room. Existing rooms now only have basin type sinks which are dilapidated and in most cases, inoperable. The kitchen/food prep station will provide a sink, back-splash and counter top with under and above counter shelving for food and other storage needs. The kitchen/food prep station is manufactured from high grade stainless steel which is durable, hygienic and pest proof. In addition, a dedicated and protected 15 amp electrical outlet will be provided to provide reliable power for either a microwave or an induction ring for cooking.

An SRA permit will be required to add the kitchen/food prep stations and a tenant relocation plan may be required as a condition of the permit. The Mah Society has already indicated that while renovations are underway, tenants will be relocated with the assistance of Atira and will be given the first right of refusal to their rooms once the project is complete. Approval of this grant will help retain and renovate an important low income/supported housing asset, while maintaining rents.

*Lookout Emergency Aid Society (376 Powell, Sakura So)*

The Housing Agreement recommendations approved by Council in June 2014 required all 38 rooms be secured at the shelter component of income assistance (currently \$375). Since approval, Lookout has expressed concern that while the mandate of the organization is to provide the deepest level of affordability possible, restricting rents in all 38 rooms to the shelter component of income assistance for 60 years or life of the building deems the project unsustainable or viable.

This report recommends an amendment to the conditions of the Housing Agreement approved in June 2014. The proposed amendment will secure rents in at least one third of the rooms at a tenant contribution of no more than the shelter component of income assistance. Providing Lookout with this additional flexibility ensures that they will be able to continue being operationally viable in the face of increasing costs operating costs (taxes, utilities, etc.) but without the necessary associated increases in the shelter component of income assistance.

*Implications/Related Issues/Risk (if applicable)**Financial*Capital Budget & Funding Strategy*Atira - Murray Hotel (1119 Hornby) - 106 SRA designated rooms*

Project Capital Costs	\$	610,000	
Proposed Funding Sources:			
CoV SRO Grant (\$5000/room) (Recommendation A)	\$	530,000	(86%)
Partner Funding (to be secured)	\$	<u>86,000</u>	(14%)
	\$	<u>616,000</u>	(100%)

The recommended capital grant of \$530,000 represents 86% of the project budget for renovations to common area bathrooms in this building with 106 rooms designated under the SRA By-law; source of funding to be the 2015 Capital Budget for Non-market Rental Housing - Incentive Grants (SRO). Atira will leverage this grant to secure additional partner funding for the remaining \$86,000 (14%).

Disbursement of capital grants is subject to the following conditions:

- funding commitment from other partners being secured to complete the project; and
- registration of a Housing Agreement for 15 years.

***Mah Society of Canada - Asia Hotel (137-139 E Pender) - 36 SRA designated rooms***

Project Capital Costs		\$2,572,752	
Proposed Funding Sources:			
City of Vancouver			
Chinatown Society Building Grant (Approved)	\$	200,000	
SRO Grant (\$5000/room) ( <b>Recommendation B</b> )	\$	180,000	
Additional Grants (Heritage Façade & DTES Program) (to be considered in a future report)	\$	<u>100,000</u>	
	\$	480,000	(19%)
Mah Society of Canada			
Equity Contribution	\$	650,000	
Mortgage Financing (BC Housing)	\$	<u>942,800</u>	
	\$	1,592,800	(62%)
BC Housing Contribution			
	\$	<u>500,000</u>	(19%)
	\$	<u>2,572,800</u>	(100%)

The recommended SRO grant of \$180,000, together with the Council-approved Chinatown Society Building Grant (\$200,000) and additional grants under consideration (\$100,000), represents 19% of the project budget for the preservation and upgrades of 36 SRA designated units; source of funding to be the 2015 Capital Budget for Non-market Rental Housing – Incentive Grants (SRO).

Disbursement of capital grants is subject to the following conditions:

- funding and mortgage financing commitment from other partners being secured to complete the project; and
- registration of a Housing Agreement for not less than 60 years.

***Operating Funding Strategy***

The Housing Agreements recommended as condition of the grants will restrict the tenant contribution to rent at the shelter component of income assistance in a third of the rooms, with the goal of maximizing affordability the remaining rooms. Average rents in these three buildings are low. The current shelter component of income assistance for a single person (\$375) does not reflect the true cost of management and maintenance required which is estimated to be closer to \$450-\$500 depending on the type and age of the building. Providing flexibility to charge higher rents in the remaining two thirds of the rooms will ensure projects remain operationally viable. Staff will also continue to work with our non-profit partners and BC Housing to seek additional rent supplements to increase the number of rooms where the tenant contribution to rent is the shelter component of income assistance.



## *CONCLUSION*

This report recommends grants to three non-profit housing providers and an amendment to a Housing Agreement to preserve and maintain a stock of market rental housing, and to maintain and increase the stock of affordable and social housing in the city. The approval of these grants will support the development or renovation of social housing projects that may not be viable, or where the financing of such work would affect affordability, and where a City contribution will assist in meeting the needs of low income households, Council has provided capital grants to social housing sponsors. Such contributions help ensure the projects can proceed in a timely manner, and help ensure that rents in these properties can be reduced/maintained to be affordable to low-income households. The report recommends:

- A capital grant of \$530,000 to Atira to assist in the preservation and upgrades of 106 SRA designated rooms at 1119 Hornby at \$5,000 per room.
- A capital grant of \$180,000 to the Mah Society to assist in the preservation and upgrades of 36 SRA designated rooms at 137-139 E. Pender).
- An amendment to the conditions of a Housing Agreement with Lookout Emergency Aid Society approved in principle on June 11, 2014, to restrict the tenant contribution to rent at the shelter component of income assistance (currently \$375) for at least one third of the rooms to ensure the housing remains operationally viable.

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