



ADMINISTRATIVE REPORT

Report Date: July 4, 2016
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Meeting Date: July 13, 2016

TO: Standing Committee on City Finance and Services

FROM: General Manager of Real Estate and Facilities Management and General Manager of Community Services

SUBJECT: False Creek South Update

RECOMMENDATION

- A. THAT Council direct staff to consult with key stakeholders on the Draft False Creek South Engagement Principles attached as Appendix A to this report, and report back to Council with a recommendation by December 2016.
- B. THAT staff work with *RePlan, a subcommittee of the False Creek South Neighbourhood Association, to explore affordable housing options for False Creek South residents to remain in the neighbourhood, in line with the City's affordable housing policies and programs.
- C. THAT staff continue to work with the provincial government and to consult with False Creek South strata leaseholders to clarify the methodology for determining the fair market value of each strata leaseholder's interest in the strata lot upon expiry of the strata lot lease.
- D. THAT the General Manager, Community Services report back to Council by Fall 2016 with a timeline for negotiating False Creek South co-op lease renewals in context of a broader non-market housing end-of-lease strategy framework.

REPORT SUMMARY

This report provides a high-level background on the False Creek South neighbourhood, in which the City is a significant landowner, discusses issues related to the end of the current long-term leases on City-owned land in this neighbourhood, and recommends a number of actions for moving forward to address these issues.

BACKGROUND/CONTEXT

The neighbourhood

The False Creek South neighbourhood is approximately 55 hectares of land (136 acres), includes approximately 3 km of seawall, and currently has a resident population of approximately 5,800 people.

This neighbourhood has a rich history and is an important park, recreational and housing asset in Vancouver. The City, through its Property Endowment Fund, owns approximately 80% of the False Creek South land area, including approximately 23 acres of park land (see Figures 1 and 2).

FIGURE 1. FALSE CREEK SOUTH NEIGHBOURHOOD

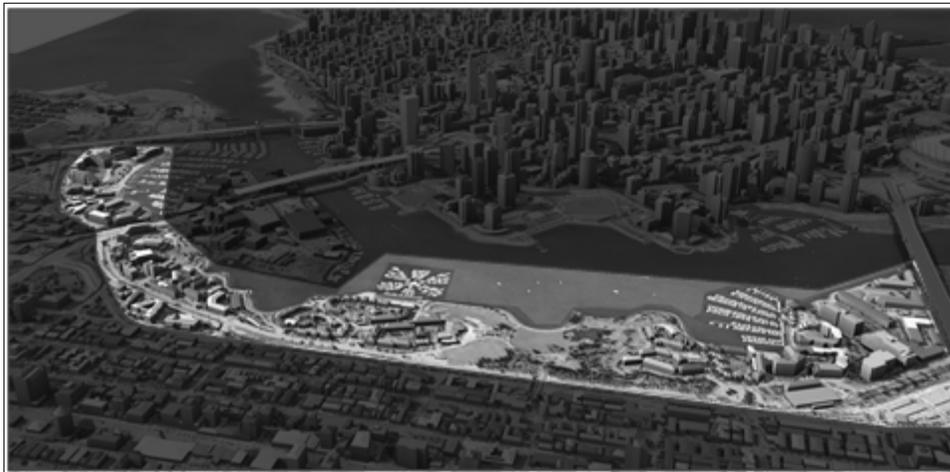
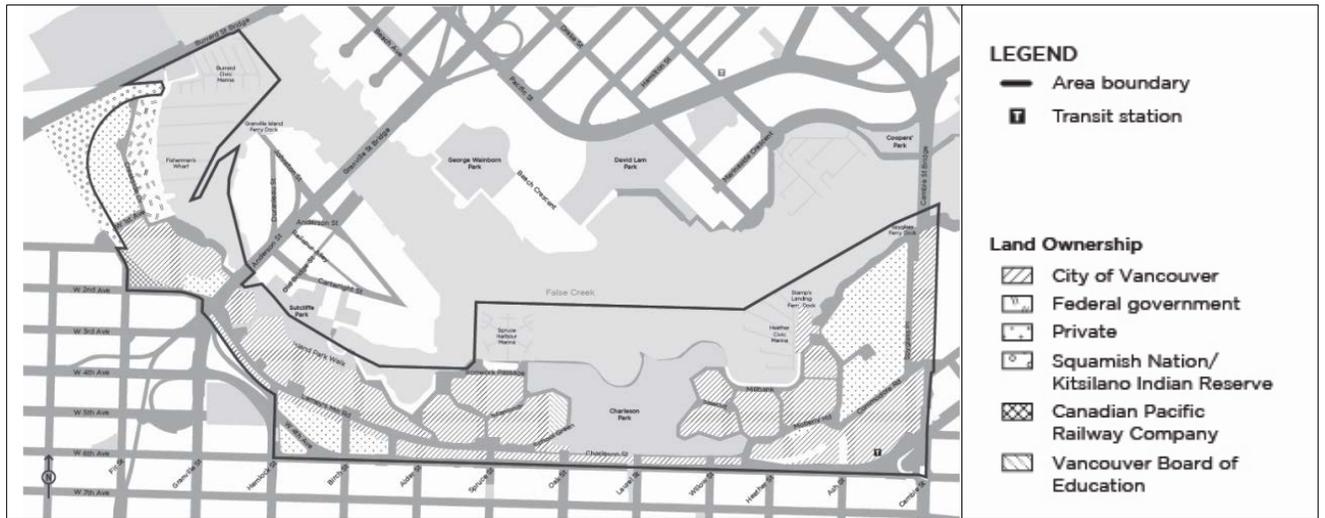


FIGURE 2. FALSE CREEK SOUTH NEIGHBOURHOOD, LAND OWNERSHIP



Residential tenancy types

Approximately 60% of the residential units in False Creek South are on land owned by the City and leased either to non-profit or for-profit housing operators, or directly to leasehold strata leaseholders. Most of the 1,172 non-market housing units in this neighbourhood are on City-owned land.

TABLE 1. FALSE CREEK SOUTH NEIGHBOURHOOD, MARKET AND NON-MARKET HOUSING

| | CITY-OWNED LAND | THIRD PARTY-OWNED LAND | TOTAL |
|--------------------|-----------------|------------------------|-------------|
| MARKET HOUSING | 873 units | 1,158 units | 2,031 units |
| NON-MARKET HOUSING | 976 units | 196 units | 1,172 units |
| TOTAL | 1,849 units | 1,354 units | 3,203 units |

NOTES TO TABLE

1. Figures are based City of Vancouver records.

Residential tenancy types

There are a number of different forms of residential tenancy types on City-owned land in False Creek South. Market residential units are comprised of leasehold strata, rental units, plus one liveaboard boat co-op. Non-market residential units are comprised of co-ops, non-profit, rental units, and community care facilities. Details are shown in Tables 2A and 2B.

TABLE 2A. FALSE CREEK SOUTH NEIGHBOURHOOD, MARKET RESIDENTIAL TENANCY TYPES

| TENANCY TYPE | FORM | LEASE ARRANGEMENT | NO. UNITS | NO. SITES | NO. LEASES |
|---|----------------------------|---|------------|-----------|------------|
| 1. Market leasehold strata | Apartments and town-houses | City land leased to individual households | 669 | 12 | 669 |
| 2. Market rental | Apartments | City land leased to for-profit operator, who manages property | 149 | 2 | 2 |
| 3. Market liveaboard co-op | Liveaboard boats | City property leased to co-op, who manages marina | 55 | 1 marina | 1 |
| Total, market residential on City land | | | 873 | | |

TABLE 2B. FALSE CREEK SOUTH NEIGHBOURHOOD, NON-MARKET RESIDENTIAL TENANCY TYPES

| TENANCY TYPE | FORM | LEASE ARRANGEMENT | NO. UNITS | NO. SITES | NO. LEASES |
|---|----------------------------|---|------------|-----------|------------|
| 4. Non-market co-op | Apartments and town-houses | City land leased to non-profit co-op, who manages property | 517 | 7 | 7 |
| 5. Non-market rental | Apartments and town-houses | City land leased to non-profit operator, who manages property | 319 | 4 | 4 |
| 6. Community care facilities | Tower and low-rise | City land leased to healthcare operator, who manages facility | 140 | 2 | 2 |
| Total, non-market residential on City land | | | 976 | | |

NOTES TO TABLE

- Figures are based City of Vancouver records.
- There are an additional 1,354 residential units in False Creek South on third-party-owned land, mostly market strata plus some market rental and non-market co-op/rental.

Commercial activity on City-owned land

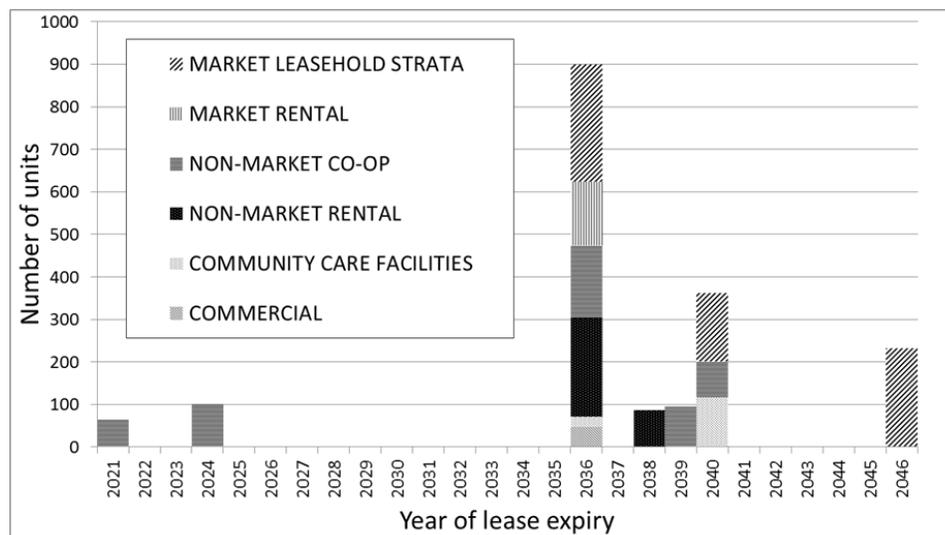
In False Creek South, there are four commercial stratas, comprised of 48 commercial units leased on City land, plus two commercial marinas.

LEASES ON CITY-OWNED LAND

All residential property on City-owned land was made available via long-term ground leases and the majority of these leases are due to expire between 2036 and 2046 (see Figure 3). The ground lease to the Marina Housing Co-op at 1590 1st Avenue, however, expires in 2022. The initial term of the ground lease to the Creekview Housing Co-op at 1483 Lamey's Mill Road expires in 2024 and while the co-op has a right to renew for a further 20 years, the rent for that term is to be calculated at the time of renewal.

As of 2016, most co-op, non-market rental and residential leasehold strata leaseholders have fully prepaid their rent for the remainder of their lease terms (2036-46). For those who have not prepaid their rent (approximately 15 leasehold strata leaseholders), the City conducts regular rent reviews in accordance with the terms of the leases.

FIGURE 3. FALSE CREEK SOUTH NEIGHBOURHOOD, LEASES EXPIRATIONS



Market leasehold strata leases

The market strata leasehold arrangements differ from the other forms of tenancy on City land, in two important ways.

1. **Separate lease for each individual strata unit.** For the leasehold strata properties, the City originally entered into a ground lease with a developer who constructed the building. Upon completion of construction, the developer filed a leasehold strata plan which converted the ground lease into individual model strata lot leases between the

City, as landlord, and each leasehold strata leaseholder. This means that the City has a lease agreement for each individual strata unit (669 residential and 48 commercial). All the other forms of tenancy involve a long-term lease with a single operator, who is responsible for managing their residential units.

2. **Lease-end payment.** For both residential and commercial leasehold strata leases, the *Strata Property Act* requires that the City must purchase each leaseholder's *interest in the strata lot* at the expiry of the strata lot lease. This requirement is reflected in the terms of the leases, although the language varies depending on the governing legislation at the time the lease was entered into. Upon the expiry of the strata lot leases, the improvements constructed on the land will transfer to the City.

LOOKING FORWARD

With the majority of the leases with the City due to expire within the next twenty years, the City has an obligation with respect to both its role as the major landowner in False Creek South, and its role as the land use regulator. There is important foundational work to be undertaken before embarking upon a community planning process. To this end, this report recommends that over the latter half of 2016, City staff and Council will be undertaking the following work.

1. **Lease-end payment methodology.** City staff continue to work with the provincial government and to consult with False Creek South strata leaseholders to clarify the methodology for determining the fair market value of each strata leaseholder's interest in the strata lot upon expiry of the strata lot lease.
2. **Co-op and non-profit residential leases.** The GM, Community Services report back to Council in Fall 2016 with a timeline for negotiating False Creek South co-op lease renewals in context of a broader non-market housing end-of-lease strategy framework (noting this is part of a larger initiative involving co-op leases on City-owned land across all of Vancouver).
3. **Landowner due diligence.** In its role as the major landowner in False Creek South, the City will evaluate the costs, benefits and implications of various renewal, extension and redevelopment options while recognizing the importance of providing certainty for leaseholders.
4. **Affordable options to remain in neighbourhood.** City staff work with the False Creek South Neighbourhood Association, to explore affordable housing options for False Creek South residents to remain in the neighbourhood, in line with the City's affordable housing policies and programs.

Draft False Creek South Engagement Principles

To inform the above work, staff have developed the *Draft False Creek South Engagement Principles*, which are attached as Appendix A, and are recommending that Council instruct staff to consult with key stakeholders on these principles, and report back to Council by December 2016 with recommendations.

This consultation process is targeted to start in Fall 2016, inclusive of both False Creek South and city-wide voices, and comprised of both public meeting and online consultation components. Consultation will include the members of *RePlan.

It is important to emphasize that these principles do not signal the initiation of a community planning process, but rather have been designed to inform our approach to the work components recommended in this report, and are intended to guide Council and staff as we continue this work. A set of planning principles will be developed in the future as part of the community planning process, once one has been initiated.

CONCLUSION

This report provides a high-level overview of the False Creek South neighbourhood, and the City's role as both a major landowner and the land use regulator. It is recommended that Council direct staff to consult with key stakeholders on the *Draft False Creek South Engagement Principles* articulated in this report and report back with recommendations by December 2016, continue to work with the provincial government and to consult with False Creek South leasehold strata leaseholders to clarify the methodology for determining the fair market value of a leaseholder's interest in the strata lot, and report back with a timeline for negotiating False Creek South co-op lease renewals in context of a broader non-market housing end-of-lease strategy framework.

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APPENDIX A - DRAFT FALSE CREEK SOUTH ENGAGEMENT PRINCIPLES**A. False Creek South has a vibrant and successful community already in place, and therefore:**

1. *The future of False Creek South will be discussed via a broad and meaningful stakeholder engagement process that includes both the residents of the neighbourhood as well as all Vancouverites.*
2. *As potential options for the City's False Creek South land holdings are refined, the City will thoughtfully evaluate impacts on existing False Creek South residents.*
3. *The City will strive to arrive at a vision for the neighbourhood that is supported by False Creek South residents and businesses.*
4. *The City will explore affordable housing options for False Creek South residents to remain in the neighbourhood, in line with the City's affordable housing policies and programs.*
5. *The City recognizes that as a landlord, it is important to provide certainty for leaseholders and respect lessees' right to quiet enjoyment for the duration of their lease.*

B. The land owned by the City in False Creek South is an important long-term strategic asset of the City of Vancouver, and therefore:

1. *The City will continue to own the land over the long term.*
2. *This land will be managed to achieve broad civic priorities within the citywide context and not solely the needs of one group or community.*
3. *All decisions concerning the City land in False Creek South will reflect the strategic objectives of and the wider implications for all City land holdings across the City.*
4. *The City's plans for this land include achieving a reasonable rate of return.*

C. The False Creek South neighbourhood should be reviewed vis-à-vis the City's current policy objectives and goals, and therefore:

1. *The City will demonstrate leadership in advancing Council policies, civic objectives and goals through its ownership interest, including environmental, economic and social sustainability, urban design, cultural values, public engagement, active transportation and healthy city goals.*
2. *The City will explore development opportunities, as well as timing for such opportunities, with a view toward developing a more diverse range of housing, including a mix of affordable housing and tenure types, as well as other public amenities.*
3. *The City will explore means integrating the neighbourhood into the overall fabric of the city through a robust and inclusive planning process.*