



IN CAMERA

ADMINISTRATIVE REPORT

Report Date: September 15, 2016
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VanRIMS No.: 08-2000-21
Meeting Date: September 20, 2016

TO: Vancouver City Council

FROM: Chief Housing Officer and CEO Vancouver Affordable Housing Agency

SUBJECT: Agreement with the Chinatown Foundation to Deliver a Mixed Use Development Consisting of Social Housing, Health Care and Commercial Space on City-owned Land at 58 West Hastings Street

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*: (k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

RECOMMENDATION

- A. THAT Council approve a proposed amendment to the terms set out in the Memorandum of Understanding (“MOU”) between the City and the Chinatown Foundation regarding the development of affordable housing at the City-owned property at 58 West Hastings Street (approved In camera RTS: 11282, Feb 24th, 2016) to increase the term of the proposed lease of the site to the Chinatown Foundation from 60 years to 99 years on the condition that, in addition to the 33% of units at the proposed development to be rented at the shelter component of income assistance as currently contemplated in the MOU, an additional 17% of units be rented at pension rates for seniors, resulting in a total minimum of 50% of the overall units at the proposed development being rented at the shelter component of income assistance or at pension rates for seniors.

- B. THAT Council direct staff to continue to negotiate the legal agreements contemplated by the MOU (the “Agreements”), as amended by Recommendation A, and that staff report back to Council on the final negotiated terms of the Agreements for Council’s final approval.
- C. THAT Council direct staff to, concurrently with the negotiations contemplated in Recommendation B, work with representatives from the *Our Homes Can’t Wait* campaign and other members of the DTES community to make best efforts to: (i) seek additional capital, operating and support services funding for the proposed development at 58 West Hastings from the provincial and federal governments with the aim of increasing the percentage of units at the proposed development to be rented at either the shelter component of income assistance or pension rates for seniors from a total of 50% to 100% if such funding is obtained; and (ii) complete and submit a rezoning application for the proposed development on the basis of the foregoing by June 2017.
- D. THAT Council, to enable the viability of increasing the affordability at 58 Hastings and to increase the ability of people on low incomes to access good quality, safe and secure housing more generally, direct staff to work with representatives from the *Our Homes Can’t Wait* campaign and other members of the DTES community to seek the following from the Provincial and Federal Governments:
- improved affordability and quality of life in Single Rooming Occupancy (SRO) hotels;
 - periodic increases to the shelter rate component of the provincial income assistance and income supplements programs to keep pace with costs of living;
 - an increase to the maximum income a person may receive before provincial income assistance benefits are reduced;
 - better access to support services for tenants living in SRO’s; and
 - funding contributions towards the capital, operating and support services required to increase the supply of social housing in the City.
- E. THAT no legal rights or obligations shall arise or be created by Council’s approval of Recommendation A or B, unless and until and then only to the extent that each applicable legal agreement is executed and delivered by both the City and the Chinatown Foundation.

REPORT SUMMARY

This report requests approval of amendments to the MOU with the Chinatown Foundation regarding the development of affordable housing at the City-owned property at 58 West Hastings in order to improve affordability levels in 58 West Hastings to 50%, in exchange for a longer term lease of 99 years from the City. The report also seeks, following the meeting with the Mayor and the local community on August 2, 2016, Council direction to staff, to work with the community to jointly advocate towards a target of 100% of the units at 58 West Hastings to be rented at the shelter component of income assistance or pension rates for seniors, where feasible and subject to funding being secured from senior levels of government for

both capital and operational funding as well as funding for any required supports and to bring the project forward as a rezoning by June 2017.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Addressing the housing and wellness needs has been a key focus for the City in the implementation of:

- Housing and Homelessness Strategy 2012-2021 (2011)
- Mayor's Task Force on Housing Affordability (2012)
- Downtown Eastside Plan (2014)
- Healthy City Strategy (2014)
- Mayor's Task Force on Mental Health and Addictions, Caring for All: Priority Actions to Address Mental Health and Addictions (2014)
- Agreement to sole source with the Chinatown Foundation to deliver a mixed use development consisting of social housing, health care and commercial space on City-owned land at 58 W Hastings (previous Council In camera, RTS 11282, Feb 24, 2016)

In December 2011, Council established the *Mayor's Task Force on Housing Affordability*, which was to provide recommendations to Mayor and Council for priority actions that may be taken by the City to create low-income housing, affordable rental housing, and affordable home ownership. One of the recommendations from this report is the use of City land for affordable rental housing. Another recommendation was to authorise the creation of a separate housing authority, the Vancouver Affordable Housing Agency (the "Housing Agency"), with a primary mandate of creating new affordable housing in Vancouver across the housing continuum through innovative partnerships with private developers, charitable and/or non-profit organizations, and senior levels of government.

Council policy allows for the leasing of City owned lands for social purposes.

CHIEF HOUSING OFFICER'S COMMENTS

This report outlines an innovative opportunity and partnership which will optimally leverage City land to deliver more, and much needed social housing in the DTES, helping to achieve the challenging goals set out in the DTES Plan.

The partnership with the Chinatown Foundation and Vancouver Coastal Health is a significant opportunity to source foundation funding and private donations and is a supplemental strategy to leveraging City land, and for the housing and development sector in terms of innovation in their partnerships and their commitment to optimize value for money in the provision of sustained, protected affordable housing.

This updated proposal provides significant public benefit, leveraging private donations and equity to deliver social housing with a comprehensive on-site health facility, and helping to achieve at least 50% of the housing units and a commitment to enhance the affordability to 100% of the units to be rented at the shelter component of income assistance or pension rates for seniors. This commitment of enhanced affordability was made in response to the growing

housing crisis in Vancouver and specifically in response to concerns from the DTES community about the loss of affordable housing and great need for new homes that are affordable to those people on income assistance and pensions. The proposal by the Chinatown Foundation achieves a significant contribution towards this target but a considerable funding contribution from senior levels of government will be required to cover capital, operational and support services funding in order to achieve even greater levels of affordability. This will require strong advocacy from both the City and community to achieve the target of 100% of the housing units being rented at the shelter component of income assistance or at pension rates for seniors.

REPORT

Background/Context

58 West Hastings Street (the “Site”) was transferred to the City by Concord Pacific as part of the community amenity contributions for Concord Area 5b West, 10 Terry Fox Way to deliver affordable housing.

The Site is located in the Downtown District ODP (Victory Square) and it was identified throughout the planning process of the local area plan as a key opportunity to achieve social housing in the DTES. Located within the “Community Based Development Area” (CBDA), shown in Figure 1, the Site will expand, and complement, the numerous community assets located in this area, the heart of the DTES, which include social housing, affordable food stores, social and peer support services, gathering places, and cultural community places of spiritual significance.



Figure 1: Community Based Development Area (CBDA) plan, 58 W Hastings marked with star. Community Hearts are areas in the community identified as special importance and community assets mark areas where there are a concentration of places, buildings, people or services that are important to the community.

The Site was identified by the Housing Agency as one of the sites that would be developed in the first round of projects in their development plan. It was designated by Council (In camera RTS: 10913, March 27th 2015) to the Housing Agency to find innovative ways to enable development and deliver social housing on this site. Preliminary diligence undertaken by the Housing Agency showed that the site could accommodate up to 225-275 units (subject to rezoning and unit mix).

In February 2016, Council authorised the execution of a non-legally binding MOU directing staff to work with the Chinatown Foundation, in partnership with Vancouver Coastal Health, to negotiate legal agreements for the development and operation of a mixed-use integrated health care facility and social housing project on City of Vancouver owned land at 58 West Hastings (In Camera RTS: 11282, Feb 24th, 2016). In this report it was contemplated that staff would consider a lease term of longer than 60 years if the Chinatown Foundation could demonstrate that greater than one third of units in the project will be rented at the shelter rates.

In July 2016, a tent encampment began to form on the Site, and there are currently over 50 tents and more than 70 homeless and vulnerable individuals living on the site.

On August 2, 2016 Mayor Gregor Robertson met with representatives of the tent encampment and the *Our Homes Can't Wait* campaign at the Carnegie Centre to discuss the growing housing crisis in Vancouver and to hear community concerns about the loss of rental housing affordable to those people on income assistance or pensions. In response he made a commitment to the community that the City would work with the community to target 100% of the units at the Site to be rented at the shelter component of income assistance or pension rates for seniors and to bring this proposal to Council for rezoning by June 2017

A number of housing sites are also moving forward in the DTES as a result of partnerships between government, non-profit and private sector partners to provide new social housing, including recent approvals at 288 E Hastings and 420 Hawks.

Strategic Analysis

The creation of social housing is a priority to meet the needs of lower-income Vancouver residents and remains a key focus as part of the City's implementation of the Healthy City Strategy, the Housing and Homelessness Strategy as well as the DTES Plan and the Mayor's Task Force on Mental Health and Addictions. In the absence of sufficient senior government support, the City has found opportunities to realize this priority through creative means.

The Chinatown Foundation approached the Housing Agency with a proposal showing interest in funding and development of the Site. The potential opportunity with the Chinatown Foundation, in partnership with Vancouver Coastal Health and the VGH and UBC Hospital Foundation, provides a mixed use, social housing and health care facility.

It is proposed that the Site be developed as a mixed-use project with 73,000 sq ft of health services on the first three floors with Vancouver Coastal Health and approximately 225-275 units of residential above, subject to a rezoning. In Victory Square, additional height (up to

105 feet) and density may be permitted for public benefits including social housing or secured market rental.

The original proposal from the Chinatown Foundation contemplated a 60 year lease with a rental mix of one third at the shelter component of income assistance/pension rates, one third up to HILs (as required by the policy in the DTES Plan) and the remaining third to be market rents. Besides the City's land contribution, early due diligence based on our assumptions suggested the original proposal required an equity contribution of s.17(1) to make the project viable and it was expected that the Chinatown Foundation would contribute to funding this gap, in addition to financing.

The DTES Plan sets out the demand for new social housing to replace the SROs because they are an outdated form of housing and because of the significant affordability needs of residents, in part because of the trend of declining affordability in the SROs, and in part because the shelter component of income assistance continues to be below the average rent of an SRO. Since the approval of the DTES Plan, Vancouver has continued to experience housing pressures, felt especially by the low-income community, resulting in an encampment on the Site. In response to these increasing needs and community concerns, the Mayor met with community representatives and made a commitment to work with the community to jointly advocate for a new affordability target of 100% of the units on the Site to be rented at the shelter component of income assistance or pension rates for seniors, this target further enhances the requirement of 1/3 set by the policy in the DTES plan.

In order to enable enhanced affordability, the gap increases to approximately s.17(1) and an operating subsidy requirement of about s.17(1) a year for the length of the lease. These costs are current day estimates and over time unless shelter and pension rates increase in line with inflation, operating costs will increase further. Based on current assumptions, a commitment of nearly s.17(1) and s.17(1) would be required for a 60 year or 99 year lease respectively so it is key that a wider advocacy strategy is in place to support these additional costs. This advocacy jointly with the community would seek the following actions by provincial and federal governments:

- improved affordability and quality of life in Single Rooming Occupancy (SRO) hotels;
- periodic increases to the shelter rate component of the provincial income assistance and income supplements programs to keep pace with costs of living;
- an increase to the maximum income a person may receive before provincial income assistance benefits are reduced;
- better access to support services for tenants living in SRO's; and
- funding contributions towards the capital, operating and support services required to increase the supply of social housing in the City.

VAHA has since been working with the Chinatown Foundation and Vancouver Coastal Health to work towards achieving the new affordability target and to find ways to close the funding gap.

The updated proposal is the result of these efforts and gets part of the way to the new affordability target. 50% of the units can now be rented at the shelter component of income

assistance or pension rates for seniors, in exchange for an increase in the lease term of the Site, from 60 years to 99 years. Without any further funding or equity, the remaining units would be 17% up to BC Housing Income Limits (HILs) and 33% at market rents. The Chinatown Foundation will continue to be responsible for developing the project and securing the financing and equity contribution in return for a nominal 99 year lease from the City.

The Chinatown Foundation updated proposal outlines the following key points;

- A partnership with Vancouver Coastal Health and VGH and UBC Hospital Foundation to provide an Integrated Community Healthcare Centre;
- The ability of the City to have a legal relationship with one party that simplifies the negotiation and creation of lease, development agreement terms and ongoing oversight and accountability; and
- An equity contribution of approximately s.17(1) from Chinatown Foundation with a commitment to increase affordability from one third to 50% of the units being rented at the shelter component of income assistance or pension rates for seniors in return for an extended lease length to 99 years from 60 years.

In working towards the new affordability target, the Housing Agency and the City staff will work with representatives from the *Our Homes Can't Wait* campaign, the community and partners to jointly advocate for additional funding from senior levels of government to support the capital (estimated at s.17(1)), operational and support services funding of approx. s.17(1) a year to achieve additional affordability. All parties have agreed that they do not want this additional work to delay the start of the project and so the Chinatown Foundation are making best efforts to bring forward the Site for rezoning in 2017 and commence construction in 2018. To achieve these dates, funding to meet the new affordability target would need to be in place by Rezoning as any changes after this point could delay the project and impact the design development required to get to the Development Permit stage. The Housing Agency and the Foundation will agree upon a detailed timeline for the Project that will be included in the Development Agreement and key milestones with regard to funding commitments will be identified.

Implications/Related Issues/Risk (if applicable)

Financial

The Chinatown Foundation, in partnership with Vancouver Coastal Health and the VGH and UBC Hospital Foundation, has proposed to design, build, finance, operate and maintain a mixed-use facility with a comprehensive on-site health facility on the first three floors and social housing above, subject to a rezoning.

Capital Funding

Preliminary due diligence indicated that the Site could accommodate 225-275 units (subject to unit mix) with a construction cost of up to s.17(1) (excluding land but including healthcare facility).

Preliminary Development Proposal

FSR Assumption	7.00	% of Net Area
Gross Development Area	225,120 ft ²	
Net Residential Sq.Ft	105,870 ft ²	58%
Net Non-Residential Sq.Ft	78,000 ft ²	42%

Preliminary Development Cost & Funding Strategy

Construction Cost (225k SF s.17(1)/SF)	s.17(1)	s.17(1)
99 Year Land Lease		
Total		100%
Funded By:		
99 years Nominal Land Lease from CoV		s.17(1)
Mortgage Financing		
Chinatown Foundation Contribution		

The proposed City’s contributions would be:

- A 99-year ground lease at a nominal rate valued at s.17(1) which is equivalent to 95% of the freehold market value s.17(1) (July 2016), subject to a commitment to achieve a minimum of 50% of the units to be rented at the shelter component of income assistance or at pension rates for seniors; and
- DCL exemption on the eligible social housing component of the project.

The Chinatown Foundation will contribute at least s.17(1) of equity and arrange for the necessary financing to deliver the project with 50% of the units to be rented at income assistance or pension rates for seniors.

The funding gap to achieve 50% of the units to be at income assistance or pension rates for seniors, currently estimated at approx. s.17(1) is the responsibility of the Chinatown Foundation. Filling the additional capital, operating and support funding gap created by the new affordability target will be worked on by the City, Housing Agency and the community in advocating for funding from senior levels of government.

Subject to final site configuration and design, the Housing Agency will work with the Chinatown Foundation to finalize the development costs, unit count and mix, target affordability and overall funding strategy.

Operating Funding

Consistent with Council policies for social/non-market housing projects, the project is expected to be self-sustaining and does not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City. In order to be self-sustaining over the

long term and meet the new affordability target, on-going operating subsidies will be required from senior levels of government.

The Housing Agency, with input from City staff, will work with the Chinatown Foundation on an operating model and tenant mix that would achieve the affordability commitment while optimizing long-term viability. As operating surpluses become available after all mortgage financing obligations are repaid, there may be opportunities to enhance affordability over time and/or reinvest in other affordable housing projects in Chinatown and Downtown Eastside.

Opportunities to Achieve Deeper Affordability Upfront

The proposal by the Chinatown Foundation is expected to deliver a minimum of 50% of the units to be rented at the shelter component of income assistance or at pension rates for seniors, but a considerable funding contribution from senior levels of government will be required to cover capital, operational and support services funding in order to achieve even greater levels of affordability. To deliver 100% to be rented at the shelter component of income assistance or at pension rates for seniors, at approx **s.17(1)** of capital funding and **s.17(1)** per year ongoing operating funding is required from senior levels of government in order to make the project viable and sustainable over the long-term.

CONCLUSION

The Housing Agency seeks Council approval to negotiate a term for the proposed lease with the Chinatown Foundation at 58 West Hastings Street of 99 years (which is an increase from the 60 year term contemplated in the MOU), in return for the project including 50% of the units at either the shelter component of income assistance or pension rate for seniors. This is a major step towards meeting the new affordability target of 100% of units in this project to rent at the shelter component of income assistance and the pension rates for seniors. The City and community will jointly advocate for funding/equity necessary from government and other partners to deliver this new affordability target, as well as advocating for a wider range of actions that will help to meet the needs of low income residents and the community.

Staff will bring back a final report for approval by Council.

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