



## ADMINISTRATIVE REPORT

Report Date: October 3, 2017  
Contact: Luke Harrison  
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RTS No.: 12271  
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Meeting Date: November 28, 2017

TO: Vancouver City Council

FROM: Luke Harrison, CEO Vancouver Affordable Housing Agency Ltd. (VAHA)

SUBJECT: Proposed Amendment to Vancouver Affordable Housing Agency Ltd. (VAHA) Governance Structure

### *RECOMMENDATIONS*

- A. THAT Council approve the creation of the VAHA Oversight Committee comprised of COV senior management, to govern all aspects of VAHA on behalf of the City in its capacity as sole shareholder of VAHA, all as further described herein.
- B. THAT Council authorize the dissolution of the current VAHA board of directors and replacement with a sole director.
- C. THAT Council authorize the appointment of the General Manager of Finance, Risk and Supply Chain as the sole director of VAHA's board of directors.
- D. THAT Council authorize VAHA's sole director to execute routine annual corporate filings and other documents on behalf of the City in its capacity as sole shareholder of VAHA.
- E. THAT Council authorize the Director of Legal Services to prepare, execute and file with the corporate registrar all documents necessary to give effect to Recommendations B and C.
- F. THAT Council approve the creation of a VAHA Expert Advisory Panel comprised of industry experts to provide confidential, objective and expert advice to the VAHA Oversight Committee, all as further described herein, with members of the panel to be selected by the City Manager from time to time upon the recommendations of the VAHA Oversight Committee and with terms of reference, including appropriate conflicts of interest provisions, to be approved by the VAHA Oversight Committee and the Director of Legal Services.

- G. THAT Council approve the creation of a COV: VAHA Working Group that will help to align COV and VAHA initiatives and will provide a forum for discussion ahead of submitting recommendations to the VAHA Oversight Committee.

### ***REPORT SUMMARY***

This report recommends the creation of a new governance framework for Vancouver Affordable Housing Agency Ltd. ("VAHA"), led by an Oversight Committee comprised of senior COV staff.

The initial governance structure has comprised a Board of Directors (the VAHA Board), previously appointed by City Council, that represent the decision making body of the sole shareholder, the City of Vancouver. The VAHA Board includes four external independent industry experts and four internal senior COV staff.

The proposed amendments to the governance structure would dissolve the current VAHA Board and transfer oversight and governance of all aspects of VAHA to a newly formed VAHA Oversight Committee, comprised entirely of COV senior management, which will govern VAHA on behalf of the City as sole shareholder. The VAHA Board would be decreased to a single board member who will continue to fulfil all legal requirements of the board. The single director would report to, and form part of, the VAHA Oversight Committee.

The new framework is proposed to better align COV and VAHA priorities internally and support the implementation of VAHA's 2-year business plan.

As sole shareholder, Council approval is sought to authorize the re-organization of VAHA's governance structure as described in this report.

### ***COUNCIL AUTHORITY/PREVIOUS DECISIONS***

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 was the use of City land for affordable rental housing. Another recommendation was to authorise the creation of a separate housing authority, the 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.

In July 2014, Council approved the creation of a new City controlled housing authority, Vancouver Affordable Housing Agency, to implement the recommendations from the Mayor's Task Force on Housing Affordability and deliver more affordable housing options within the City. The report contains the details of the governance, targets, operating model and funding requirements for the Agency.

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

The City Manager supports the recommendations of this report.

## **REPORT**

### ***Background/Context***

VAHA was created in July 2014 to act as a catalyst for creating new affordable housing across the housing continuum. VAHA is a City controlled, but legally separate entity, which acts as an agent for the City. The legal form and structure of VAHA is based on an *agency model* and was devised by staff, with the assistance of professional third party advisors, to combine City oversight with key industry knowledge. The structure comprises the City as the sole shareholder and a governing Board made up of staff and independent directors.

VAHA have been operating under this model since inception. However, in order to support a revised VAHA business model and better align VAHA and City priorities, particularly in respect of prioritising affordable housing and resolving issues as they arise, an alternative model is proposed. The proposed model creates an internal decision making structure, which combines internal governance with ancillary external and staff-based advisory groups.

The proposed COV: VAHA Governance Framework, shown in Figure 1, will be refined over time to optimize governance efficiencies. City Council sits at the top of the framework as the sole shareholder and ultimate decision maker, with the City Manager and Oversight Committee (comprising General Managers and the City Manager) below. The Oversight Committee will directly govern all aspects of VAHA on behalf of the City in its capacity as sole shareholder. VAHA's board of directors will be decreased to one member who will continue to fulfil the legal obligations of the board under the Business Corporations Act (B.C.). In addition to the governing bodies, two groups are proposed to act in an advisory and working group capacity; these are, an external VAHA Expert Advisory Panel, and a COV: VAHA Working Group.

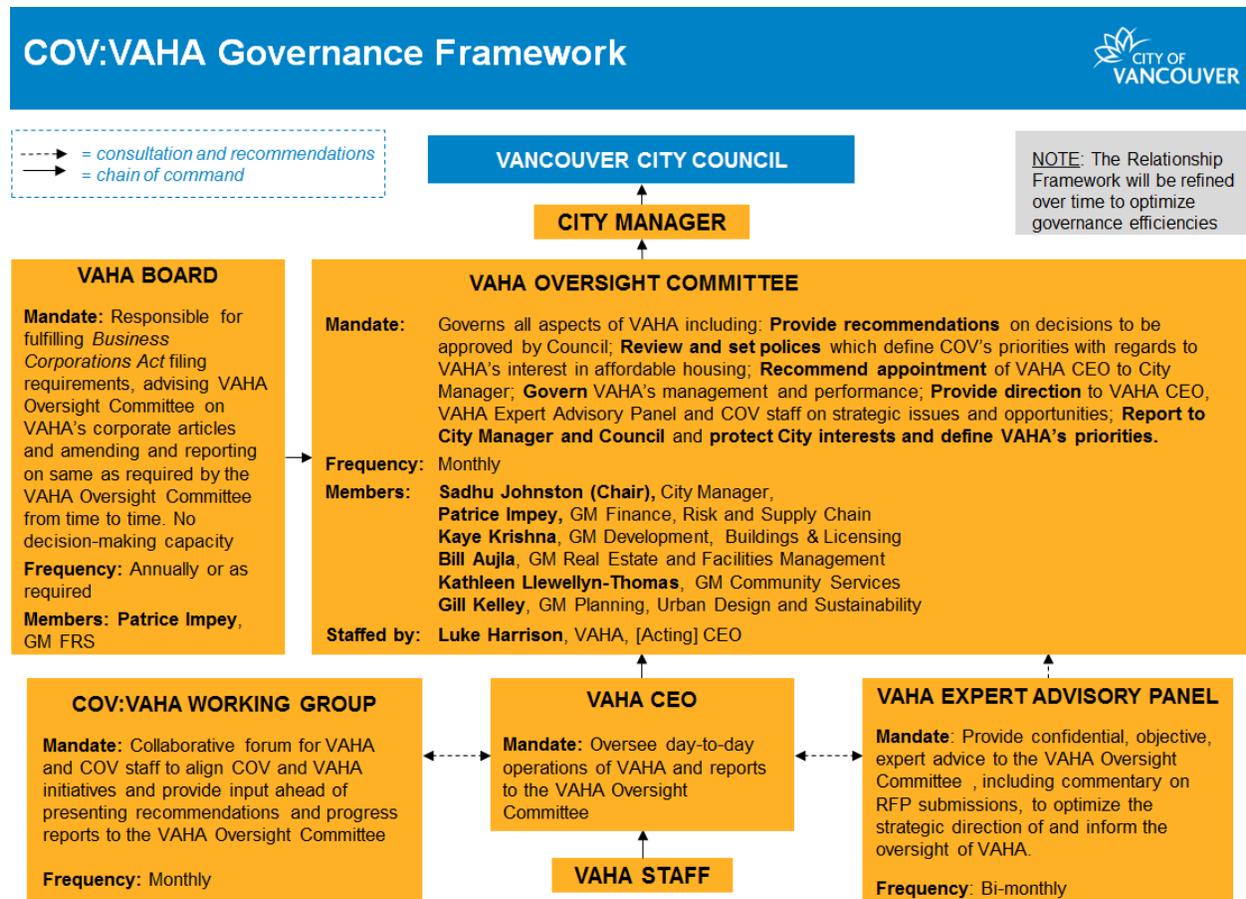


Figure 1: Proposed COV: VAHA Governance Framework

### Strategic Analysis

VAHA's business model has thus far focussed on the delivery of housing units, with VAHA being involved in a Project Management capacity for all statutory processes up until Building Permit issuance, at which time the Lease is transferred to the successful proponent for construction and operation of the Project.

The revised business model, set out in the VAHA 2-year Business Plan summary attached under Appendix A, instead focuses on VAHA as an agent for:

- 1) The brokering of resources, i.e. City land suitable for affordable housing.
- 2) The delivery of Temporary Modular Housing.

In the revised model, VAHA's development partners, selected through competitive procurements, will be responsible for pre-development work on the applicable sites rather than VAHA directly. VAHA's role is shifting to strictly oversight on such projects, which allows VAHA to focus on additional sites and procurement processes.

VAHA expects that this model will result in the supply of more 'affordable housing ready' sites to the market, that have been assessed by the City and VAHA to be suitable for the development of affordable housing. It also allows for the opportunity to inspire new thinking

and solutions to address the housing issues facing Vancouver, particularly for sites which have topographical or contextual challenges that have made the development of the sites difficult in the past.

To support this business model, alignment across City departments is required and, for that reason, it is considered expedient to move towards a more internal governance structure. The perceived benefits of the new governance framework are as follows:

- It facilitates the direct alignment of City and VAHA priorities;
- It allows for strategic decisions to be made on sites faster and more collaboratively, with representation on the VAHA Oversight Committee from: Finance, Risk and Supply Chain; Development, Buildings & Licensing; Real Estate and Facilities Management; Community Services; Planning, Urban Design and Sustainability;
- It helps to ensure that all relevant departments are kept informed and made aware of challenges/issues facing affordable housing projects and provides an effective opportunity for collective prioritisation of affordable housing projects; and,
- The COV: VAHA Working Group and VAHA Expert Advisory panel allow for a forum for both discussion and creative thinking around the resolution of issues, and an opportunity to receive confidential, and objective, expert advice from the industry to help inform and support the decision making of the Oversight Committee.

#### *Implications/Related Issues/Risk (if applicable)*

##### *Financial*

There are no financial implications.

##### *Human Resources/Labour Relations*

The monthly VAHA Oversight Committee will be staffed by General Managers and chaired by the City Manager.

The monthly COV: VAHA Working Group will involve COV and VAHA staff.

The bi-monthly VAHA Expert Advisory Panel (external advisory group) will comprise external industry experts.

#### **CONCLUSION**

The creation of an internal VAHA Oversight Committee facilitates the direct alignment of City and VAHA objectives, in addition to better supporting VAHA's business model. The new governance framework also provides an opportunity for the City to hear objective expert advice from the development industry and work-shop ideas and issues in a staff forum. It is considered by VAHA that this framework will be a positive step towards a more collaborative and holistic approach to tackling the issue creating more affordable housing in Vancouver.

\* \* \* \* \*

2 Year Business Plan Summary

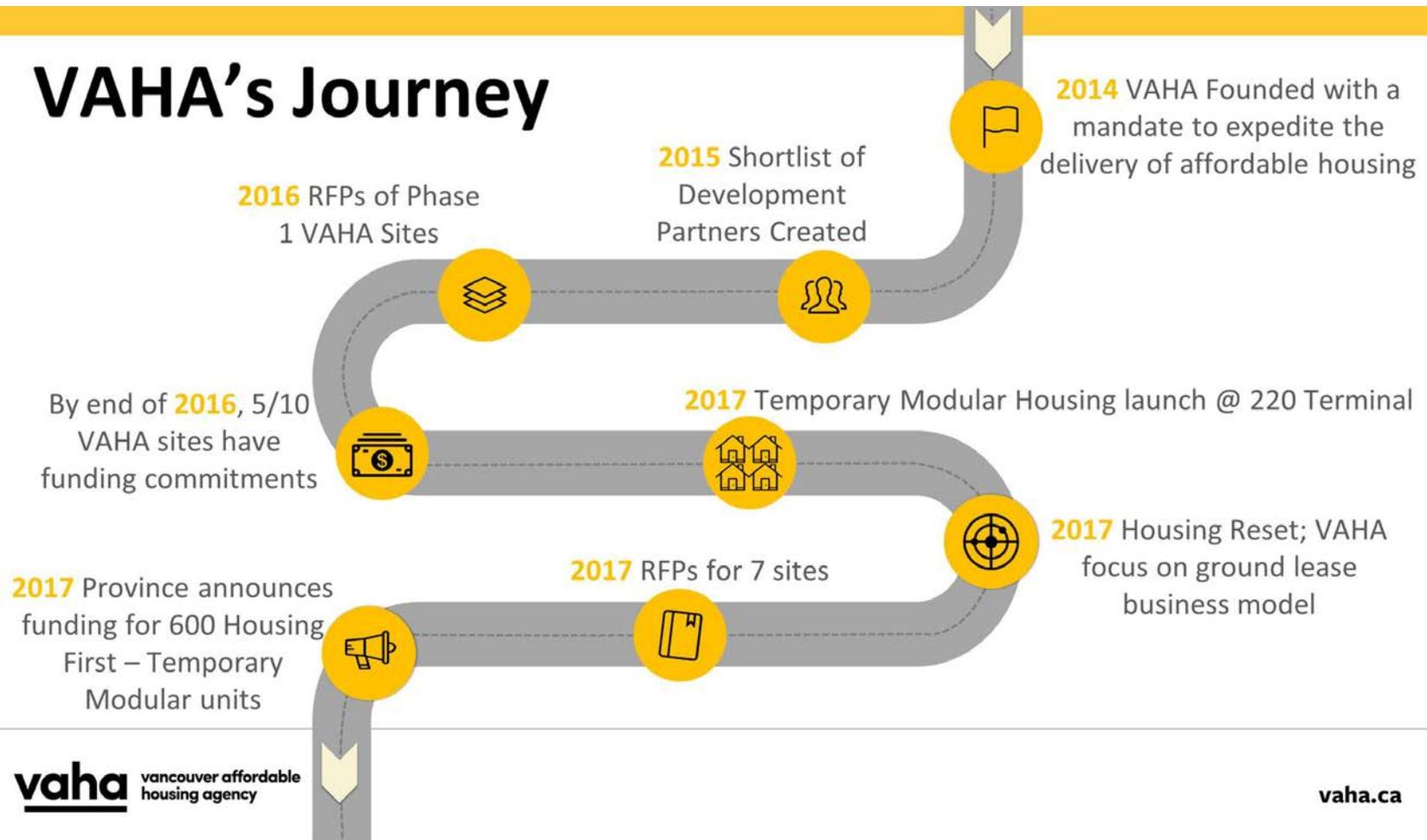
# The Vancouver Affordable Housing Agency

2 Year Business Plan Summary

**vaha** vancouver affordable  
housing agency

vaha.ca

# VAHA's Journey



# Red Amber Green (RAG) Statuses



<b>Resources</b>	<ul style="list-style-type: none"> <li>Secured 17 sites for affordable housing</li> <li>~\$124M equity gap on 12 unfunded projects</li> </ul>	
<b>Schedule</b>	<ul style="list-style-type: none"> <li>Original target of 2,500 homes built by 2021</li> <li>8 sites currently under development</li> </ul>	
<b>Scope</b>	<ul style="list-style-type: none"> <li>Temporary and permanent modular housing</li> <li>Focus on enabling and unlocking investment into allocated sites</li> </ul>	<ul style="list-style-type: none"> <li>Developer shortlist</li> <li>VAHA as fund manager</li> </ul>
<b>Strategic Plan</b>	<ul style="list-style-type: none"> <li>17 sites under development in 1 year</li> <li>RFP to operators (design, build, fund, manage)</li> </ul>	

- Project is performing to plan.
- Project is at risk, but can be dealt with.
- Project requires corrective action.

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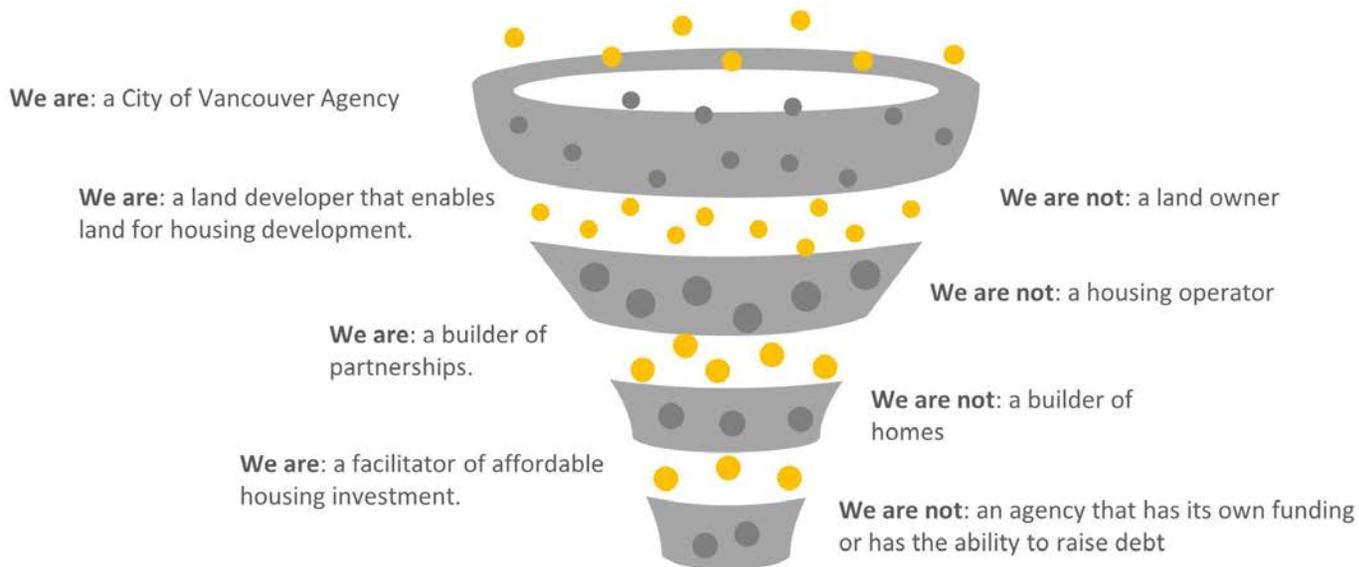
# Problem Opportunity

**City of Vancouver has land, but cannot provide the equity or debt to build affordable housing**

With a goal of developing 2,500 affordable housing units by 2021, how can the City leverage its land to:

- Unlock private and public funding sources?
- Lower the cost of development to stimulate affordable housing development and ongoing management?

# What is VAHA?



**VAHA is:** ● a deal maker and broker of resources to de-risk & expand investment in affordable housing



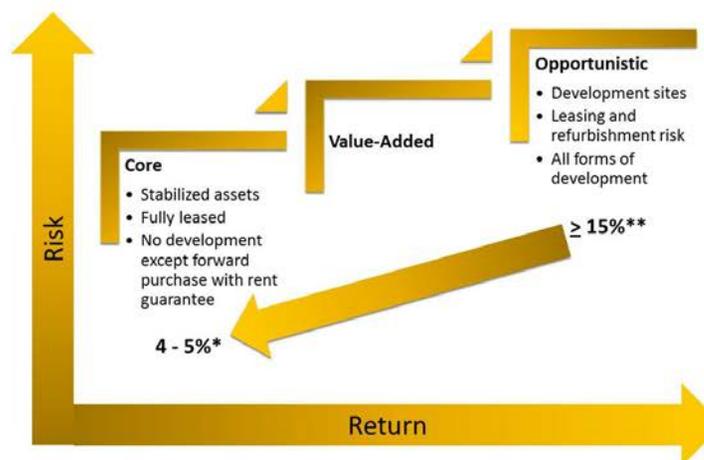
## Develop Land for Housing

- Manage the development process for securing rezoning & development permits to generate land ready for housing construction and management.
- De-risk housing development to attract patient or social impact equity.



## Form Partnerships

- To create affordable housing projects ready for investment.
- To generate an affordable housing investment market.



Footnote:

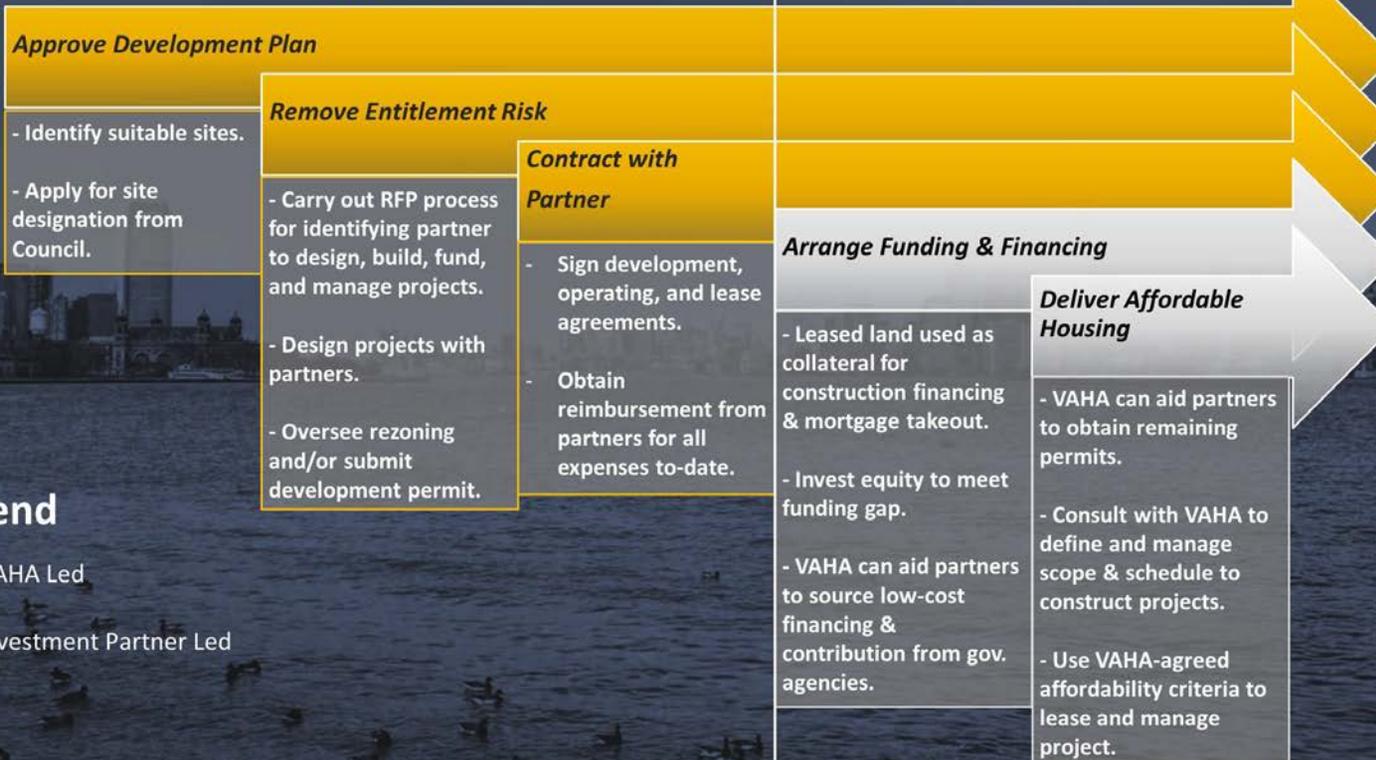
\* Core return expectation based on apartment units capitalization rate as proxy

\*\* Developers' profit margin expectation as proxy for opportunistic return requirements

# RFP Business Model

## VAHA Led

## Investment Partner Led



### Legend

- VAHA Led
- Investment Partner Led

# Modular Housing Developments



**Goal:** VAHA to develop 600 'Housing First' Temporary Modular Housing units for the homeless over the next six months.

## What is Temporary Modular Housing?

- Temporary Modular Housing (TMH) units are prefabricated in a factory and assembled onsite.
- TMH is quicker to construct than traditional concrete or wood frame buildings, relocatable and reconfigurable. The foundation system is also adaptable and reusable.
- TMH units have a 40 year life span and TMH is subject to the same building codes as other residential buildings.
- Sites are used for 3-5 years (maximum extension to 10 years).
- **Pilot project:** 220 Terminal has been successful in providing 40 single-occupancy Temporary Modular Housing units.

# Cash Flow Pro Forma



- Total development cost (ex-land) - designated sites – approx. \$590m
- VAHA capital requirement (gross) to finance ~75% of soft cost to DP for the unfunded sites is ~\$75 million; actual capital requirement should be lower as costs incurred on earlier sites are reimbursed

Notes:  
 \* Total development costs excludes land  
 \*\* No fees envisaged for developing City land. However, fees may be imposed for other land owners.  
 \*\*\* Straight-line estimate of construction costs

# Governance

## Current

The VAHA Board, which includes *external* members, has been providing governance to VAHA through recommendations on significant decisions for Council approval.



## Proposed

The *internal* VAHA Oversight Committee, comprised of senior COV staff, will provide recommendations and direction for the Agency in alignment with Council priorities.

The VAHA Board will fulfil all legal/ administrative requirements.

The COV: VAHA Working Group will be a collaborative forum for COV and VAHA staff to discuss projects.

The VAHA Expert Advisory Panel will provide independent expert advice on finance, business, development, and social impact; develop long-term strategic and investment plans; and attract investors and partners.

## COV:VAHA Governance Framework



---> = consultation and recommendations  
-> = chain of command

NOTE: The Relationship Framework will be refined over time to optimize governance efficiencies



# Our Services



## Unlock Land Potential

Leverage current partnerships and create innovative new ones to find suitable land.



## Business Consulting

Offer strategic consultation to help clients manage, enhance, and deliver affordable housing.



## Reduce Development Costs

Internally coordinate the development process and ensure risk premiums are minimized.



## Lower Financing Costs

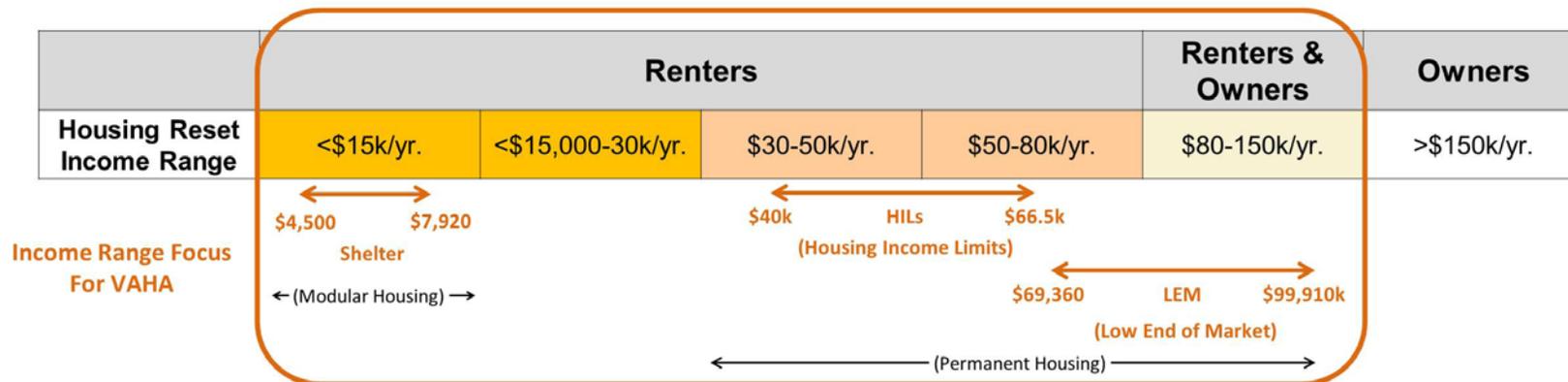
Source out multiple financing options and work to match capital pools with housing investment.



## Improve Operating and Maintenance Costs

Ensure energy efficiency innovations lower operating costs and partner with the best asset managers to leverage their management.

# VAHA's Focus in Alignment with the Housing Reset



## VAHA Developments

- $\geq 40\%$  are Family Units
- Micro, Studio, 1-3 BR, Townhomes

- Biggest housing supply gap for household income range
- 2<sup>nd</sup> Biggest housing supply gap for household income range
- 3<sup>rd</sup> Biggest housing supply gap for household income range

Note: Housing supply gaps are identified in the 'Housing Vancouver' presentation (p. 33)

# Portfolio and Financial Summary



Current # of units developed/under development:

- 17 VAHA allocated sites, plus temporary modular sites
- 2,783 units in total (including temp. modular)



Total equity gap:

- ~ \$190m (~ \$156m excluding UNYA youth centre)
- Committed equity: 34% (43% excluding UNYA youth centre)
- Committed equity with RFP sites: 57% (69% excluding UNYA youth centre)



Total development cost/unit (excluding land and temp. modular):

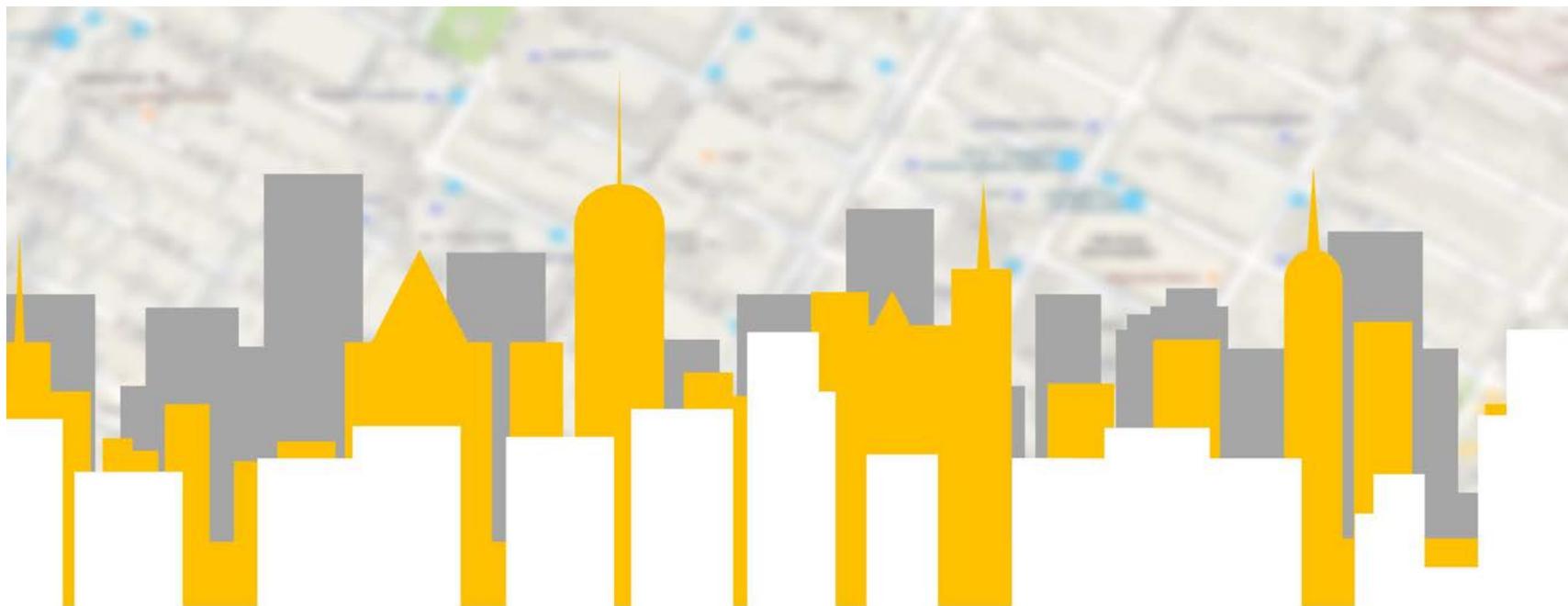
- ~\$260,000

# Development Plan: Funding Status

	Sites	Address	# of Units	Funding Status	Target Delivery Date
1	Parcel 8A	3185 Riverwalk Avenue	109	Committed - BCH	Apr. 2019
2	Parcel 34	EFL - (Parcel 34)	109	TBC	Mar. 2019
3	Powell	501 Powell St. (DTES Market)	166		Oct. 2019
4	Main	2221 Main Street	145	Committed - Marcon & Catalyst	Feb. 2020
5	Parcel 43A	8501 Boundary Rd	117		Jul. 2020
6	Parcel 1	To be assigned	40	TBC	
7	Fraser	3510 Fraser Street	56	Committed - BCH	May. 2020
8	SW Marine	55-79 & 87 -115 SW Marine Drive	101	TBC	Mar. 2020
9	58 W Hastings	58 West Hastings St.	231	Committed - Chinatown Foundation	May 2020
10	UNYA	1618-1680 East Hastings St. (UNYA)	180	Funding plan to be developed	By 2021; TBC

	RFP Sites	Address	# of Units	Funding Status	Target Delivery Date
11	Burrard	1188-1192 Burrard & 937 Davie St.	118	RFPs under evaluation	By 2021; TBC
12	Seymour	1210 Seymour St. & 560 Davie St.	99		
13	Pender	177 West Pender Street	90		
14	Kingsway	1001 Kingsway	43		
15	Vanness	3279-3297 Vanness Avenue	69		
16	Parcel 3&5A	3183 & 3245 Pierview Crescent	140		
17	Parcel 13	EFL-3310 Marine Way (Parcel 13)	330		

■ Funding is secured      ■ Funding in progress  
■ Funding dependent upon RFPs



**vaha**



Website  
<http://vaha.ca>