



ADMINISTRATIVE REPORT

Report Date: July 17, 2018
Contact: Gracen Chungath
Contact No.: 604.673.8405
RTS No.: 11904
VanRIMS No.: 08-2000-20
Meeting Date: July 24, 2018

TO: Vancouver City Council
FROM: General Manager of Arts, Culture and Community Services
SUBJECT: Sustaining Affordable Non-Profit Housing on City Land

RECOMMENDATION

- A. THAT Council approve the Site and Lease Options, Key Terms and Guidelines for ground lease extension or redevelopment, and the Methodology for Valuation of a Pre-paid Ground Rent within the Non-Profit Lease Framework for Sustaining Affordable Non-Profit Housing on City Land as contained in Appendix A.
- B. THAT Council authorize staff to:
 1. Negotiate future ground lease(s) with non-profit operators in accordance with the Options, Key Terms, and Ground Rent Valuation contained in Appendix A; and
 2. Report back to Council on each individual non-profit housing lease for approval.
- C. THAT Recommendations A and B be adopted on the following conditions:
 1. THAT the passage of the above resolutions creates no legal rights for a lessee or any other person, or obligation on the part of the City and any expenditure of funds or incurring of costs in relation thereto is at the risk of the person making the expenditure or incurring the cost; and
 2. THAT the City and all its officials shall not in any way be limited or restricted in the exercise of their authority or discretion, regardless of when they are called upon to exercise such authority or discretion.

REPORT SUMMARY

This report outlines a recommended set of site and lease options (the “Options”), key terms and guidelines for lease extensions or redevelopment of non-profit housing (the “Key Terms”), and the methodology for valuation of a pre-paid ground rent (the “Ground Rent Valuation”) within the Non-Profit Lease Framework for Sustaining Affordable Non-Profit Housing on City land. Non-profits operating on City land play a vital role in the provision of affordable housing in the city. Once adopted by Council, the Options, Key Terms, and Ground Rent Valuation will be used to evaluate requests for future ground leases at rates below market value for affordable non-profit housing on City-owned lands, which would then be brought to Council for approval.

On June 20, 2018, Council instructed staff to advance the consolidation of the City's non-market housing assets into a single portfolio in the form of the Vancouver Affordable Housing Endowment Fund with a clear mandate to preserve and grow the City's non-market housing portfolio in a sustainable way. Staff will be reporting back to Council on the implementation strategy by September 2018. It is intended that if Council approves the creation and proposed implementation of the Vancouver Affordable Housing Endowment Fund, non-profit housing on City land will be consolidated into the fund to enable a portfolio approach to optimize the City's non-market housing assets. The Non-Profit Lease Framework will assist in preserving and growing the affordable housing stock in Vancouver by setting criteria to identify lease extension and redevelopment opportunities to ensure City land is well-utilized. Additionally, the pre-paid ground rent received through new leases will be reinvested in the Fund to grow the City's land bank for future affordable housing.

The over-arching goal of this Framework is to preserve and grow the City's non-profit housing stock in a sustainable way to serve Vancouver citizens over the long-term. The site options available for future leases include lease extension, redevelopment, or in the very rare case the City may lease the site to a new operator. Depending on the site option, shorter lease terms will be appropriate for lease extensions and longer lease terms will be appropriate for site redevelopments. There will be Key Terms around affordability and operational requirements that will be negotiated for future leases, with more flexibility given to redevelopments to support the project's feasibility. The method of determining the pre-paid ground rent, along with anticipated senior government contributions, is included in this report.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In February 2017, Council approved the Options for Sustaining Affordable Co-op Housing and Key Terms and Conditions for ground lease extension or modification agreements for Sustaining Affordable Co-op Housing on City Land (RTS 11294). This report builds upon the Co-op lease strategy, providing guidance on the length of lease term and the methodology for valuation of a pre-paid ground rent.

In November 2017, Council approved the *Housing Vancouver Strategy* and Housing Vancouver Action Plan which aims to deliver 12,000 units of social and co-op housing over the next 10 years through partnerships with senior levels of government and non-profit and private sector partners (RTS 12153). The key actions include developing and implementing the co-op and non-profit renewal frameworks, and to clarify renewal of

lease terms with non-market housing providers on City sites for redevelopment potential. The Action Plan also directs the City to continue to offer City land to affordable housing partnerships with an emphasis on achieving affordability.

In June 2018, Council approved the Affordable Housing Delivery and Financial Strategy to deliver on the revised targets contained in Housing Vancouver over the next 10 years (RTS 12562). The Strategy focuses on achieving enhanced social and supportive housing targets to meet the needs of low-income residents. The proposed Vancouver Affordable Housing Endowment Fund will be created to consolidate all non-market housing assets to enable a coordinated and portfolio-based approach to preserving and growing non-market housing in Vancouver.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

1. State of Non-Profits on City Land

In the 1970s, the City began leasing sites for affordable housing to co-op and non-profit operators at lower end of market rents for lease terms between 40 and 60 years. Non-profits operate social housing, supportive housing, and special needs residential facilities. This housing often provides discounted rents to low-income tenants and is operated on a break-even basis. To create this housing, senior government programs provided capital funding to construct buildings on City land. Senior governments also typically entered into operating agreements with non-profits, providing operating subsidies to offset the costs of mortgage payments, rent subsidies, health services, and other costs.

Table 1 – Non-Market Housing on City Land¹

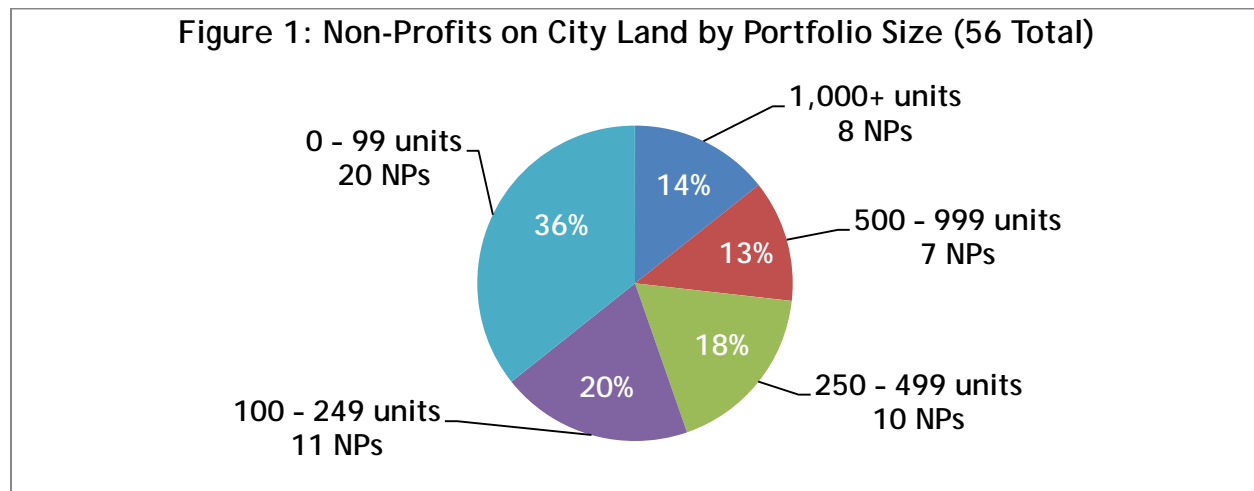
Non-Market Housing	Sites	# of Units	% of Total Units
Co-ops	56	3,648	30%
City-Operated	9	591	5%
Non-Profit Operated	173	7,935	65%
Total Non-Market Housing	238	12,174	

The City owns 238 sites for non-market housing, containing 12,174 units. Of which, non-profits operate 173 sites containing 7,935 units, consisting of nearly two-thirds of the entire non-market housing stock on City land. Each site has a lease with a non-profit operator, and the operator may manage one or more sites. Of these sites, there are 56 different non-profits operating on City land.

¹ As of March 1, 2018 and only includes completed buildings.

2. Diversity of Non-Profit Projects and Operators

Non-Profit Housing Projects: The non-profit projects on City land vary in terms of building type, clients served, and scale of operator. The building typologies of these projects range from single-detached homes to high-rise towers. The type of projects include social housing which provides affordable housing to low-income households, supportive housing which provides affordable housing with services, and special needs residential facilities which are community care facilities and group residences for specific populations. These projects serve a variety of target populations, comprising of Indigenous people, women fleeing violence, persons with mental health issues, addiction issues, disabilities, LGBTQ2+, homeless, seniors, and families. These tenants pay a range of rents depending on their income, including shelter rates, rent geared to income, and low-end of market (LEM).



Non-Profit Operators: The 56 different non-profits that operate this housing stock are also diverse. These operators range from single-building operators to organizations with large portfolios across the Province; see Figure 1. The majority of non-profits on City land operate portfolios containing multiple projects.

The non-profits typically have operating agreements with various government agencies, including BC Housing Management Commission (BC Housing), Vancouver Coastal Health, Canada Mortgage and Housing Corporation (CMHC), and the City of Vancouver (CoV). The primary funder and facilitator of operating agreements for non-profits has been BC Housing, who has been active in monitoring and supporting non-profit housing operators within these operating agreements.

Overall, non-profits operate a significant portion of the non-market housing stock in Vancouver, serving a spectrum of populations including vulnerable groups while providing some of the most affordable housing in Vancouver.

3. Non-Profit Operators as Essential Partners in meeting the City's Housing Vancouver Targets

In November 2017, City Council passed the *Housing Vancouver Strategy* outlining actions the City will take over the next 10 years to address housing affordability in Vancouver. The City's Housing Strategy supports affordable housing through improving regulatory processes, creating

supporting policies, and providing incentives which include the continued provision of land. One of the key actions is to develop, test, and implement this Non-Profit Renewal Framework. Another key action is to renew the City's commitment to partnerships for affordable housing, including the non-profit sector. Non-profits bring a wealth of knowledge and value to help reach the City's affordable housing goals, including experience operating and delivering affordable housing, vision and mission statements to provide long-term affordable housing to those in need, and are innovative and entrepreneurial which will help further the City's affordable housing goals.

Other key City priorities include retaining and renewing existing social housing and increasing social housing units. With approximately 40% of the entire non-market housing stock in Vancouver located on City land, the City has an opportunity to preserve a significant portion of the city's existing stock through future leases. The Strategy also targets 12,000 new social and supportive housing units to be built over the next 10 years. There are opportunities to help achieve this target by redeveloping and expanding some of the non-profit housing on City land.

4. Recent Commitments from Senior Levels of Government and Aligning City Initiatives to Maximize Affordability

There is a renewed commitment from both the federal and provincial governments to address housing affordability. The federal government released the "National Housing Strategy" in November 2017, which will provide \$40 billion over 10 years in the form of contributions and loans to build affordable housing. This includes funding for new projects and for repair and expansion of existing housing projects. The provincial government announced "A 30-Point Plan for Housing Affordability in British Columbia" in February 2018. The Plan commits \$6.6 billion to create 114,000 affordable housing units over 10 years, along with \$1.1 billion for building upgrades. In June 2018, the federal and provincial government signed the Canada-B.C. bilateral agreement, providing \$990 million over 10 years to renew and expand affordable housing. The City, Provincial, and Federal housing strategies are aligned in their commitments to preserving and growing affordable housing in the city.

Many non-profit housing projects on City land started in the late 1970s and early 1980s, with lease terms ranging from 40 – 60 years in length. As a result, the City is experiencing the first wave of lease expirations today with 23 leases expiring before 2028. Additionally, these projects have expiring operating agreements with senior levels of government, which may result in operating subsidies ending. Of the non-profit housing projects on City land, there are nine operating agreements that have already expired, with an additional 50 operating agreements expiring in the next 10 years. In addition to the pressures on the project's operational funding, the remaining term on the lease prohibits the non-profit from obtaining financing for major building repairs or for redevelopment.

With all three levels of government focused and supportive of affordable housing, there is an opportunity to align these strategies and make significant strides towards reaching the City's affordability goals. This Lease Framework provides an opportunity to implement these investments and strategies to preserve and expand affordable housing in Vancouver.

5. Challenges and Opportunities within the Non-Profit Sector

To further support the non-profit sector, it's important to understand the challenges and opportunities occurring within some non-profit projects.

a) Rising costs and limited funding for maintaining and renewing aging buildings

Many non-profit housing projects require significant repairs. The buildings constructed in the late 1970s or early 1980s are now showing their age as many important structural systems are nearing the end of their life cycle and require reinvestment. Securing capital and/or financing to enable these building repairs can be challenging.

The non-profit is also experiencing pressure on its revenue streams. Not only do some non-profit projects no longer receive subsidies from senior governments as their operating agreements expire, their operating costs are also increasing. Of particular concern is that these costs are rising faster than rent increases as non-profits attempt to maintain the levels of affordability offered to tenants. The tenant's needs within some of these projects are also becoming increasingly complex, requiring additional services and resources.

Despite rising costs and limited funding streams, some non-profits can't raise rents because the rents are fixed at shelter rates or are tied to the tenant's income which may not increase, as a requirement of an operating or funding agreement. Additionally, some non-profits try to maintain rents for existing tenants who may be at risk of homelessness. Therefore in some cases, increasing rent is not an option, which further restricts the non-profit's ability to address rising operating and capital costs.

b) Security of tenure impacted by expiring leases and operating agreements

For projects that have limited time left on their lease, the operator's ability to address deferred maintenance or significant capital repairs is limited. In order to secure a mortgage, a non-profit needs a lease that extends at least five years past their loan amortization term. Additionally, application for capital grants and/or financing from senior levels of government also considers any upcoming lease expiry.

In addition to lease expiry, as operating agreements with senior governments expire, the operating subsidies to keep rent affordable and to cover operating costs are no longer provided. Without this funding, non-profits will need to make up this shortfall by raising rents or reducing the number of subsidized units offered in the building. Both of these options will negatively impact the affordability that can be provided for the low-income tenants that need this housing the most.

c) Today's investment opportunities in affordable housing

The need for affordable housing in Vancouver has greatly increased in recent years. Housing prices have drastically outpaced incomes, the rental vacancy rate continues to sit below 1%, and homelessness has increased significantly. There is also a high demand for housing from the influx of people to Vancouver, along with limited family housing options in the city. Overall, Vancouver needs more non-market housing.

All three levels of government are currently focused on the issue of affordability, having recently announced housing strategies and investments. It is also a favourable investment climate for delivery of below-market rental housing, with low apartment capitalization (cap) rates and historically low, but rising, interest rates. With senior levels of government providing funding and low-interest financing, and the City providing land leases at below market rates and prioritizing affordable housing through regulatory processes, Vancouver has the opportunity to preserve and grow the city's affordable housing stock.

d) Opportunities to expand non-profit housing on City land

Since many of these projects were built over 30 years ago, some sites are underutilized as Vancouver has grown and evolved. Since the original construction of certain sites, zoning and community plans have allowed densities to increase and more housing units to be delivered. For buildings that require significant capital repairs, it may be more cost-effective to redevelop the site. Additionally, there are some non-profits that have the capacity and desire to expand their portfolio of affordable housing. The criteria for what classifies as a redevelopment site is detailed in the Site Options (Table 2). The City will work with the non-profit to explore redevelopment where opportunities arise.

Strategic Analysis

1. Coordinated Strategy for Considering New Leases

The non-profit sector is facing both challenges and opportunities. The challenges are around expiring leases and operating agreements while needing to address aging buildings. The opportunities are around upcoming investments by senior levels of government. The City has the opportunity to align its strategies with the non-profit sector and senior levels of government, working together to preserve and grow the affordable housing stock on City land in a sustainable and resilient manner. The City will be better positioned to achieve this through the new Vancouver Affordable Housing Endowment Fund which will focus on optimizing the City's non-market housing assets and leverage senior government and partnership funding.

The main contribution the City can make to maintain affordability is through leasing City-owned land at below market rent. As identified in the *Housing Vancouver Strategy*, the City will implement the lease renewal frameworks and will continue to contribute land with an emphasis on achieving affordability. The Non-Profit Lease Framework will provide a comprehensive and consistent approach to how the City will maintain affordability, ensure buildings are properly maintained, and the project is operated in a sustainable manner through future leases with non-profit operators.

2. Five Key Goals for Future Non-Profit Leases

The five key goals to be considered when negotiating future leases for existing non-profit housing on City land are:

- Protect affordability within the existing housing portfolio, matching rents to incomes to provide security of tenure for residents and to support the right supply over the long term.
- Renew our commitment to partnerships with all levels of government to work together to deliver the Framework's goals while ensuring the City's long-term viability of its affordable housing portfolio.
- Address physical building challenges and encourage green building technologies to create environmentally and financially sustainable buildings.
- Ensure operations are financially viable, promote good governance practices, and are monitored to ensure ongoing alignment with City goals and to create a resilient housing system.
- Grow the affordable housing stock by optimizing City land and exploring redevelopment opportunities with non-profits.

The above-noted goals are in alignment with the *Housing Vancouver Strategy*.

3. Site and Lease Options

The site options for future leases are dependent on the operator and the characteristics of the site, as noted in the table below.

Table 2: Site Options for Sustaining Affordable Non-Profit Housing

Site Option	Criteria
1. Extend and Modify Lease on City Terms	<ul style="list-style-type: none"> • The site has low potential to increase the number of affordable units; and/or • The building is not reaching the end of its economic life; and • The non-profit will be operationally sustainable across its portfolio
2. Work with the Non-Profit to Explore Opportunities to Redevelop the Site as Non-Market Housing	<ul style="list-style-type: none"> • The site has high potential to increase the number of affordable units; and/or • The building is reaching the end of its economic life and would require a significant upgrade; and • The new building will be operationally sustainable; and • Existing non-profit tenants are protected and can be appropriately relocated
3. Create Selection Process for New Non-Profit Operator*	<ul style="list-style-type: none"> • The existing non-profit chooses not to operate the building beyond the current lease term; or • The current operator does not agree to Key Terms; or • The non-profit will not be operationally sustainable across its portfolio

*In the very rare case where the City leases the site to a new non-profit operator, the site will be reassessed to determine whether the site qualifies for a lease extension or redevelopment.

The City will look to extend the lease for sites that either have a low potential to increase the number of affordable units, and/or the building is not reaching the end of its economic life, meaning the costs to repair the building are not near the cost to replace the building. The City will explore redevelopment if the site has a high potential to increase the number of affordable units (i.e. added density through community plans, rezoning, infill development), and/or the building is reaching the end of its economic life, meaning the cost to repair the building is at or near the cost to replace. For any redevelopment, it will be required that existing tenants are protected and can be appropriately relocated, as according to the Tenant Relocation and Protection Policy. Additionally, redevelopment opportunities will be discussed with the non-profit operator to determine feasibility.

For the City to enter into a lease agreement with a non-profit operator, the non-profit must be operationally sustainable across its portfolio. Operational sustainability refers to the operator possessing two key components:

- **Financial viability:** the ability to cover the costs of operating expenses, future and existing mortgage(s), building repairs, replacement reserves, and other costs through rent revenues, government subsidies, cross-subsidization within the non-profit's portfolio, or other revenue sources, over the length of the future lease.

- **Good governance:** the ability to successfully fill vacant board member positions and recruit new board or society members, along with having sufficient staff, volunteers, and resources to meet the needs of its tenants as according to the non-profit's mandate.

The City wants to ensure the non-profit operator has the appropriate resources to operate the site over the length of the lease. If the non-profit is not operationally sustainable, the City may lease the site to a new operator. The City may also lease the site if the operator chooses not to operate the building beyond the lease term, or in the very rare case where the non-profit and City cannot agree on Key Terms. If it is determined that the site needs to be leased to a new operator, the City will select a new operator in line with the City's Procurement Policies.

As per Table 2, once the site option has been determined, the type of lease will differ between a lease extension and a redevelopment site. Lease extensions are given shorter lease terms as the buildings will likely require increasingly significant building repairs as the building ages, and there may be future supportive land use policies in place that will allow the site to increase the number of affordable units, thereby furthering the case for the site to redevelop. Redevelopment sites are given longer lease terms as the buildings are newer, and the new development will likely maximize the density available with further density increases on the site not likely to occur in the near future.

Table 3: Lease Options for Sustaining Affordable Non-Profit Housing

	Lease Extension	Redevelopment
Lease Term	1 Mortgage Cycle (Up to 40 years, from date of Council approval)	60 – 99 years (based on non-profit funds provided, type of construction, gov't funding, affordability)
Option to Renew	One Additional Mortgage Cycle if no imminent redevelopment opportunity Must be exercised between the last 10-13 years of lease term	None

For lease extensions, the lease term will accommodate one mortgage cycle up to a maximum of 40 years, allowing the non-profit to secure a 25-35 year mortgage. The lease term would begin when the lease extension is executed, not when the original lease expires. The lease extension contains an option to renew for one additional mortgage cycle, up to a maximum of 20 years, on the condition that there isn't a redevelopment opportunity at that time. The option to renew must be exercised within the last 10-13 years of the lease extension in order to accommodate an additional mortgage cycle.

For redevelopments, the lease term will be 60 to 99 years. The difference in length is dependent on a variety of factors, including whether the non-profit is contributing funding to the project, the type of construction (i.e. wood frame vs concrete), the level of government funding, and the affordability levels provided. The redevelopment leases will not include an option to renew since it's based on a longer lease term.

4. Key Terms and Guidelines that the City will Seek to Negotiate in Future Leases

Depending on whether the site qualifies for a lease extension or a redevelopment, the lease terms negotiated may differ. Some flexibility in the Key Terms will be provided for lease extensions to accommodate the diversity of projects, with further flexibility given to redevelopment sites to increase the feasibility of development and to ensure the project is sustainable. If non-profit operators have existing operating agreements with another government agency, then that agreement will take precedent.

Key Terms for Lease Extensions

a) Affordability will be prioritized with senior government partner involvement in lease arrangements.

The City's main contribution to affordable housing is providing leased land at below market rates to achieve a level of affordability. In accordance with the *Housing Vancouver Strategy*, affordability will be prioritized in the ground rent calculation. For non-market housing, ground rent will be tied to the income of the project. To determine the ground rent, a financial model will be prepared based on the project's revenue and expenses, as well as potential senior government contributions towards construction, major capital upgrades and repairs, and potential operating subsidies. This analysis will show what the non-profit can afford to pay in terms of ground rent. Any discount off the market value of the land will be considered a grant and must be approved by Council.

With the recent funding announcements, there are many opportunities for senior levels of government to contribute to non-profit housing on City land. These contributions include funding major capital repairs for lease extensions and any operating subsidies, including rent supplements and care services. With the City and senior governments working together, the existing affordable housing stock can be secured over the long term.

b) Existing affordability levels will be maintained, making adjustments based on senior government contributions.

One of the goals of the Lease Framework is to protect and secure the affordability within the existing housing stock. To support this goal, the existing affordability levels in the building should be maintained, referring to the existing rents that are matched to the tenant's income which usually include shelter and rent-geared-to-income rates. Maintaining the existing affordability levels is the baseline scenario, but depending on senior government contributions there could be alternatives.

Table 4: Affordability Requirement Scenarios for Lease Extensions

Scenario	Description
Target	Increase affordability where opportunities arise (e.g. senior government rent subsidies)
Baseline	Maintain affordability levels
Minimum	30% of units at BC Housing Income Limits (HILs) rates*

*Sites in the Downtown Eastside will be required to provide 1/3 of units at Income Assistance Rates, in accordance with the Downtown-Eastside/Oppenheimer Official Development Plan.

If senior government contributions allow for greater affordability to be achieved within the existing project, then the City will work with the non-profit to accommodate the new affordability

mix. If there is a lack of senior government funding, then the affordability mix may need to be adjusted. The minimum affordability requirements are aligned with the City's Zoning Bylaw definition of social housing, which is 30% of the dwelling units are occupied by households with incomes at or below BC's HILs, where tenants pay 30% of their household income as rent. The 2018 BC HILs for Vancouver are included in the table below.

Table 5: 2018 BC Housing Income Limits for Vancouver

Unit	Annual Income Limit	Max Monthly Rent at 30% of Income
Bachelor/Studio	\$41,500	\$1,038
1 Bedroom	\$48,000	\$1,200
2 Bedroom	\$58,000	\$1,450
3 Bedroom	\$68,000	\$1,700
4 Bedroom	\$83,500	\$2,088

c) Low-end of market units will have income and asset limits for new households, similar to BC Housing regulations.

The City recognizes the shortage of supply across the housing continuum, including housing for low and moderate income households. Where opportunities arise, non-profits may offer a mix of market and subsidized units.

The intention of this lease term is to ensure that these low-end of market units are being housed by moderate income households. The household income limits for low-end of market units are the BC Housing's Low and Moderate Income Limits. The 2018 Low and Moderate Income Limits are as follows:

Table 6: 2018 BC Housing Low and Moderate Income Limits

Unit	Annual Income Limit
Less than 2 Bedrooms	\$71,200
2 Bedrooms or More	\$104,440

The asset limits for all units will follow BC Housing's asset policies, which differ depending on the funding program it offers but generally have an asset limit of \$100,000.

In certain circumstances where the non-profit is experiencing difficulty in renting out the low-end of market units, the above income and asset limits may be relaxed to increase the number of eligible applicants.

d) There will be regular income and asset testing for subsidized and low-end of market units.

Non-profits will income and asset test subsidized units (rents at or below BC HILs) every year. If a tenant's household income exceeds the BC HILs but is below the BC Low and Moderate Income Limits, the tenant will be charged the low-end of market rent. Non-profits will income and asset test low-end of market units upon entry and every five years after initial occupancy. If a tenant's income exceeds the BC Low and Moderate Income Limits or the asset limits, the operator will issue a notice to end tenancy in accordance with the BC Residential Tenancy Act. The notice will take effect 6 months after the date of issuance.

e) Occupancy guidelines will be followed to ensure units match household size.

The number of bedrooms in a unit should match the household size in order to best utilize the units for the greatest number of people who need affordable housing. This will allow growing families to access family units and provide opportunities for seniors to downsize while remaining in their community. Non-profits will be required to demonstrate to the City all reasonable effort to move households to an appropriately sized unit within a reasonable time frame, using the National Occupancy Standards as a guideline or a similar standard. Households will be required to move when an appropriately sized unit becomes available within the building or within the non-profit's portfolio. The occupancy guidelines will apply to all units, and will be used in accordance with the Residential Tenancy Act if applicable.

f) For any surplus in a given year, the City and non-profit may mutually agree to direct the surplus for the following options:

- a. Capital reserves
- b. Operating reserves
- c. Increased affordability within the building or across the non-profit's portfolio within the City of Vancouver
- d. Divided equally between the City and the operator, to be used for investment into affordable housing within the City of Vancouver

Any surplus that is generated in a year will have the option to be directed back into the building for capital reserves, operating reserves, or to increase affordability. As well, the surplus could be divided equally between the City and the operator. The non-profit may choose to use their share of the surplus to increase affordability across their portfolio, with the requirement that the project must be within the City of Vancouver. The City will invest its share of the surplus into the Vancouver Affordable Housing Endowment Fund to preserve and grow the non-market housing portfolio in the City of Vancouver.

g) The City will require regular reporting on the affordability requirements and building condition.

The City will manage the leases with all co-op and non-profit operators. Non-profit operators will be required to provide information on a regular basis in formats that are acceptable to the City. The table on the following page summarizes the reporting requirements in future leases.

Table 7: Reporting Requirements in Future Leases

Information Type	First Report Required	Reporting Frequency	Description
Operating Budget	Initial operating budget to be agreed prior to lease commencement	Annual	Operating budget setting out the proposed budget for the upcoming year.
Independent Audit Report	At end of year 1	Annual	An audit firm carries out an assessment each year of tenant files, financial processes, account record and produces a financial statement report (including info on replacement reserve and operating balances)
Income / Asset / Rent Information	At end of year 1	Annual for HILs and Shelter units, Every 5 years for LEM units	Rent roll, tenant income and assets, and vacancy information.
Operational Review	At end of year 1	Minimum every 3 years	The operational review meeting will include a site visit with the City to review the general maintenance of the building and a discussion on performance in relation to the operating agreement.
Lifecycle Capital Maintenance Plan	The capital maintenance plan will be agreed within the first year of the lease term.	Every 6 years (to coincide with every other Operational Review)	Capital maintenance plan to be updated every 6 years and reviewed as part of operational review.
Maintenance Plan	By end of year 1 - agree maintenance plan with City	Every 3 years (to coincide with the Operational review)	Reviewed as part of operational review every 3 years.

h) Renovation and repair activities of the non-profit should improve environmental performance.

Renovations of non-profit housing provide the opportunity to increase building efficiency and reduce operating costs, while also reducing environmental impacts. Government programs which support these efforts should be explored to maximize these opportunities. The City has also updated its Green Buildings Policy for Rezoning to allow projects to meet Passive House requirements. Passive design involves a high quality envelope and thoughtful design to create better energy efficiency and reduce most costs associated with heating and cooling. These activities will support the City's environmental goals and plans, including the Greenest City Action Plan and to become a Renewable City by 2050.

i) Any capital repairs that require tenant relocation will follow the Tenant Relocation and Protection Policy with additional supports if required.

If capital repairs require tenants to be temporarily relocated, the operator will follow the City's Tenant Relocation and Protection Policy. For vulnerable tenants or tenants with special circumstances, additional supports may be required to assist them in their relocation. The City is currently working on updating the Tenant Relocation Policy, which will include policies for social housing.

j) The City will continue to have the option to terminate the lease if the operator breaches the lease and the breach is not rectified after sufficient notice has been given.

If there is a breach of lease, the City

- will notify the operator,
- work with the operator to address the issue, and
- provide sufficient notice and time to remedy the issue before proceeding to termination.

The City may use discretion in exercising the termination of lease, using this option as a last resort.

Guidelines for Redevelopment

Many of the Key Terms for lease extensions will apply to redevelopment sites, however more flexibility will be given to redevelopments to create more feasible and sustainable projects. Overall, there will be two over-arching guidelines for redevelopments.

a) Existing units from previous building will be maintained, with the aim to meet the Housing Vancouver targets from any additional units, dependent on senior government contributions.

As a baseline, the City will seek to maintain the existing units from the previous building for a redevelopment site. Maintaining the existing units refers to keeping the existing rents that are matched to a tenant's income, and maintaining the unit types (i.e. number of family units, accessible units, etc.). This will ensure that redevelopment does not displace existing residents, and the affordable unit is secured over the long term. For the net new units, the City will aim to meet the Housing Vancouver Targets. Both maintaining the existing units and the affordability levels of the net new units is dependent on senior government contributions. If there is a lack of senior government funding, the minimum affordability requirement will be 30% of the dwelling units are occupied by households with incomes at or below BC's HILs, where tenants pay 30% of their household income as rent (Note: sites in the Downtown Eastside will be required to provide 1/3 of units at Income Assistance Rates, in accordance with the Downtown-Eastside/Oppenheimer Official Development Plan).

b) Redevelopment of housing will follow the Tenant Relocation and Protection Policy with additional supports if required.

In order for the City to approve a redevelopment application, a tenant relocation and protection plan must be prepared by the non-profit. This will ensure that all existing tenants are protected and will be secured a home through the redevelopment process. For vulnerable tenants or tenants with special circumstances, additional supports may be required to assist them in their

relocation. All tenants will be given the right of first refusal. The City is currently working on updating the Tenant Relocation Policy, which will include policies for social housing.

5. Methodology for Valuation of a Pre-paid Ground Rent

Staff has advanced the work on a methodology for determining the value of the pre-paid ground rent as referenced in the Sustaining Affordable Co-op Housing on City Land report. The pre-paid Ground Rent Valuation will be based on the income generated from the project and the ability to pay within the mortgage secured. To determine the borrowing capacity of the project, the project's revenues and expenses are inputted into a financial model and are projected forward using standardized assumptions. The pre-paid lease valuation methodology is conservative in its assumptions, with the goal to ensure the non-profit is financially sound and set up for success over the length of the lease.

The methodology for the Ground Rent Valuation involves the following process:

- **Outline Revenue and Expenses:** The revenue projections are based on the existing rent roll and audited financial statements. Operating expenses are based on actual expenses from audited financial statements, and capital expenses are determined through a capital maintenance plan for existing buildings or cost estimates for new construction. Replacement reserve provisions are also included, identified through a replacement reserve study to ensure the fund balance remains positive throughout the term.
- **Explore External Sources of Funding:** The City anticipates senior levels of government or other non-City funding sources to fund specific items, including major capital repairs for lease extensions, new construction costs for redevelopments, and any operating subsidies which can include rent supplements and care or health-related services. The City is working toward a multi-year partnership and investment plan through engagement with senior levels of government to establish stable, predictable funding to enable projects to proceed in a timely manner. Expenses that are covered by senior levels of government would therefore not have an effect on the pre-paid ground rent calculation.
- **Determine Borrowing Capacity of Project and Pre-Paid Ground Rent:** From the projected revenues and expenses and the external sources of funding, the borrowing capacity of the project is determined. From the borrowing capacity, the residual amount within the mortgage will be collected as a pre-paid ground rent. The ground rent is based on the income generated from the project and the levels of affordability provided. Any discount off the market value of the land will be approved by Council as a grant. The ground rent received by the City will be used to invest in future affordable housing in Vancouver as part of the land acquisition strategy within the new Vancouver Affordable Housing Endowment Fund.

The City will also be open to alternative models for ground rent, including annual ground rent payments. These alternative models will be explored with the non-profit operator on a case-by-case basis.

6. Stakeholder Consultation

The Framework was developed through the following consultations with the non-profits operating affordable housing on City land:

- **Online Survey (October 2017):** to understand more about the operators and to ask preliminary questions on how the City can better support non-profits in the future. The survey received responses from 36 non-profits.
- **Workshops (November 2017):** two workshops to identify impacts of current land leases and to discuss key goals around delivering affordable housing to provide direction for future lease terms. For those unable to attend, the workshop questions were sent to the operators to provide an opportunity to contribute comments. Over the two workshops, 42 participants attended along with one electronic submission, collecting comments from 30 non-profits.

Further discussions were held with the BC Non-Profit Housing Association (BCNPHA). The BCNPHA is the provincial umbrella organization for the non-profit housing sector. The City worked with the BCNPHA to engage with the non-profit sector and to receive feedback on key issues. The City has also consulted with the non-profit sector in other forums, including through the Housing Vancouver and the non-profit Social Housing Operators Shortlist. Feedback from the various consultations with these members was used to inform the Non-Profit Lease Framework.

The City also held discussions with senior levels of government, including BC Housing, Vancouver Coastal Health, and CMHC which focused on aligning the Non-Profit Lease Framework with the applicable housing program and investment streams of each senior government agency.

The draft of the Lease Framework was presented to the non-profit housing operators in June 2018. The Framework was further refined after receiving comments from non-profits and from additional consultation with the BCNPHA. The BCNPHA has provided a co-ordinated response on behalf of the non-profits on City land (Appendix B). Staff has reviewed the response and has adapted and emphasized certain aspects of the Lease Framework to reflect the comments heard through the consultation with the non-profit sector:

- 1) *Ensure that affordability at all levels of need (including shelter rates) is considered and prioritized in the renewal of ground leases, including that the City consider the reduction of ground leases to maintain housing stability for existing low-income tenants during a redevelopment scenario.*

The City of Vancouver is committed to preserving affordability, which is included in *the Housing Vancouver Strategy* and a goal of this Lease Framework. Maintaining the existing rents that are matched to the tenant's income (including shelter rates) is included in the lease terms for both lease extensions and redevelopments. To facilitate this, the City will discount the ground rent to achieve a level of affordability, and may provide nominal leases in cases of deep affordability. Even with a nominal lease, it may not be possible to maintain existing affordability levels, which highlights the need for senior levels of government to contribute.

- 2) *Only request reporting on income and asset limits within the verified legal bounds of the Residential Tenancy Act to shield non-profit housing providers from associated legal risks.*

The City's legal team has reviewed the Residential Tenancy Act and has confirmed the ability to request income and asset information for all units that have established eligibility criteria. The City has also consulted with the Tenant Resource and Advisory Centre and the Residential Tenancy Branch as part of the Moderate Income Rental Housing Pilot Program, which the Framework follows in regards to income testing of low-end of market units every five years. Staff will work with the individual non-profits as we implement income reporting for all units, including low end of market units.

- 3) *Only require income and asset testing in alignment with other levels of government's reporting requirements.*

The Lease Framework follows the income and asset testing regulations used by BC Housing, including the BC Housing Income Limits for rent geared to income units, the BC Low and Moderate Income Limits for low-end of market units, and BC Housing's asset policies. The City has included regular income testing for low-end of market units to ensure that this housing is secured for moderate income households over the long-term. This testing will only be required every five years to reduce the burden on non-profits.

The City will continue to work with senior government agencies to align reporting requirements wherever possible to reduce the operational burden on the non-profits. CMHC is currently developing reporting requirements as the funding program has recently been initiated, and City staff will continue to consult with CMHC as federal funding agreements are signed. The City will also continue to work with BC Housing to align reporting requirements to save operators time and resources.

The City is committed to working with the non-profit sector to address other issues in the Lease Framework as they arise. Staff will apply flexibility in implementing the key terms as we move forward with the individual lease negotiations.

7. Criteria for Beginning Lease Discussions

Staff will contact the non-profits to begin lease discussions based on the criteria identified below:

- Ground lease with the City is expiring within the near future (within 10 years);
- Building requires significant repairs as identified through a capital maintenance plan;
- Site has redevelopment potential and requires a new lease to obtain capital financing for the project; or
- There is an opportunity to leverage funding from a senior level of government.

Working with each non-profit, staff will gain an understanding of their current circumstances, plans for the future, and how the application of the Key Terms will translate into operations and outcomes for each non-profit. On a case-by-case basis, reports on the recommended lease extensions or redevelopments for each non-profit will be brought to Council in a timely manner. Staff understand that there are multiple internal and external stakeholders who are interested in the City's on-going work to reach decisions about the best course of action for existing non-market housing on City lands. Should Council approve the Options, Key Terms, and Ground

Rent Valuation as described in this report, staff will include a section in each subsequent lease report to Council providing an overview of the sites that have completed evaluation and recommendation to Council, the sites that are under review, and the sites that will be under review in the next 12 months.

After the first few leases have been negotiated, staff will reassess the Non-Profit Lease Framework to evaluate its effectiveness. Staff will report back to Council in Q4 2019 to summarize the progress made and recommend any changes to the Framework.

Implications/Related Issues/Risk

Financial

Providing social housing is primarily the responsibility of senior governments. In recent months, both Federal and Provincial governments have introduced funding programs for creating and sustaining affordable housing. In November 2017, the Federal Government announced the National Housing Strategy, which includes a number of funding programs to support creation of new housing and preservation of existing housing. In February 2018, the Provincial Government announced “A 30-Point Plan for Housing Affordability in British Columbia”, which includes a number of new tax measures to dampen speculative demand and generate new revenues to fund affordable housing. In June 2018, the federal and provincial government signed the Canada-B.C. bilateral agreement, providing \$990 million over 10 years to renew and expand affordable housing. The City welcomes these new initiatives, since in the absence of senior government support, the City alone will not be able to preserve and grow the affordable housing portfolio over the long term.

The City is actively exploring strategic partnerships with senior levels of government to preserve and expand the affordable housing stock through various means, including funding and low cost financing for constructing new housing and capital upgrades of existing housing. Having a sustainable partnership and funding arrangement with senior governments would substantially enable new affordable housing supply as well as the much needed building repairs for all co-op and non-market housing on City land.

The City uses a variety of enabling tools to preserve and grow affordable housing on City land in partnership with senior governments and private and/or non-profit housing partners:

- *City Land Contributions* – The City leases land to housing partners at below market rent for the purpose of preserving and/or creating new affordable housing. Partners may be involved solely in operating non-market housing or may undertake the comprehensive development and long term operational responsibility, depending on the nature of the partnership with the City.
- *Development Cost Levies (DCL's) Waivers/Exemptions* – Social housing projects are exempt from DCLs.
- *Property Tax Exemptions* – Supportive housing, if designated by the Province as a Class 3 property, is subject to special valuation rules that reduce the assessed value to a nominal amount and are effectively exempt from property taxes.

The level of City support through land leases at below market rent (to achieve a desired level of affordability) will be determined on a project-by-project-basis, considering the following:

- level of senior government support;
- individual building's financial capacity to address capital maintenance and upgrades and make a prepaid rent to the City; and
- optimal affordability level to ensure project viability over the long term.

In June 2018, Council instructed staff to advance the consolidation of the City's non-market housing assets into a single portfolio in the form of the Vancouver Affordable Housing Endowment Fund with a clear mandate to preserve and grow the City's non-market housing portfolio in a sustainable way. Staff will be reporting back to Council on the provisional mandate and implementation plan in September 2018. Creation of the Fund will enable a portfolio approach to optimize the City's non-market housing assets. The Non-Profit Lease Framework will assist in preserving and growing the affordable housing stock in Vancouver by setting criteria to identify lease extension and redevelopment opportunities to ensure City land is well-utilized. Pre-paid ground rent received through lease extensions and/or new leases will be reinvested in the Fund to preserve and grow the City's land bank for future affordable housing.

Social

The provision of affordable housing is a key Council priority, and has both direct and indirect benefits to the City. Studies have indicated there are social as well as economic benefits from investment in affordable housing. Social Return on Investment (SROI) is an analysis that attempts to capture the social and environmental value of an initiative, in addition to its financial value.

A 2010 CMHC study indicated that 48% of non-market housing tenants surveyed reported that their children saw improved school performance once they received support for stable and affordable housing.

A study by the Mowat Centre at the University of Toronto provided the following outcomes for people obtaining affordable housing:

- Increased disposable income as a result of moving into social and affordable housing provides all households with the resources to make additional investments into their health. In Ontario, the provision of affordable housing allowed for an additional \$357 to be used to pay for health and medical expenses, which subsequently reduced the demand on emergency departments by heavy users.
- Securing affordable housing allowed for individuals with high school or less education to pursue continuing education or retraining. The earnings premium for an individual with a "Post-secondary certificate or diploma" over the average annual earnings of a worker who has "Graduated High School" was \$4,874 per year in 2006.²

² Zon, Molson, and Oschinski, "Building Blocks: The Case for Federal Investment in Social and Affordable Housing in Ontario", Mowat Centre, University of Toronto, 2014

CONCLUSION

This report outlines recommended Options, Key Terms, and Ground Rent Valuation that can be applied by City staff and Council over time to make decisions regarding future leases for Sustaining Affordable Non-Profit Housing on City lands. The Framework will secure and optimize this affordable housing stock for future generations by providing a clear strategy for making decisions and certainty to those stakeholders involved. The General Manager of Arts, Culture and Community Services recommends approval of the Options, Key Terms, and Ground Rent Valuation contained in Appendix A.

* * * * *

Options, Key Terms, and Ground Rent Valuation for Sustaining Affordable Non-Profit Housing on City Land

Site Option	Criteria
1. Extend and Modify Lease on City Terms	<ul style="list-style-type: none"> The site has low ability to increase the number of affordable units; and/or The building is not reaching the end of its economic life; and The non-profit will be operationally sustainable across its portfolio
2. Work with the Non-Profit to Explore Opportunities to Redevelop the Site as Non-Market Housing	<ul style="list-style-type: none"> The site has high ability to increase the number of affordable units; and/or The building is reaching the end of its economic life and would require a significant upgrade; and The new building will be operationally sustainable; and Existing non-profit tenants are protected and can be appropriately relocated
3. Create Selection Process for New Non-Profit Operator*	<ul style="list-style-type: none"> The existing non-profit chooses to not operate the building beyond the current lease term; or The current operator does not agree to Key Terms; or The non-profit will not be operationally sustainable across its portfolio

*In the very rare case where the City transfers the site to a new non-profit operator, the site will be reassessed to determine whether the site qualifies for a lease extension or redevelopment.

Depending on which site option is chosen, the following lease option would apply:

	Lease Extension	Redevelopment
Lease Term	1 Mortgage Cycle (Up to 40 years, from date of Council approval)	60 – 99 years (based on non-profit funds provided, type of construction, gov't funding, affordability)
Option to Renew	One Additional Mortgage Cycle if no imminent redevelopment opportunity Must be exercised between the last 10-13 years of lease term	None

Moving forward, the City will negotiate lease extensions with the following key lease terms:

- a) Affordability will be prioritized with senior government partner involvement in lease arrangements.
- b) Existing affordability levels will be maintained, making adjustments based on senior government contributions.

- c)** Low-end of market units will have income and asset limits for new households, similar to BC Housing regulations.
- d)** There will be regular income and asset testing for subsidized and low-end of market units.
- e)** Occupancy guidelines will be followed to ensure units match household size.
- f)** For any surplus in a given year, the City and non-profit may mutually agree to direct the surplus towards capital reserves, operating reserves, increased affordability within the building or across the non-profit's portfolio within the City of Vancouver, or divided equally between the City and the operator.
- g)** The City will require regular reporting on the affordability requirements and building condition.
- h)** Renovation and repair activities of the non-profit should improve environmental performance.
- i)** Any capital repairs that require tenant relocation will follow the Tenant Relocation and Protection Policy with additional supports if required.
- j)** The City will continue to have the option to terminate the lease if the operator breaches the lease and the breach is not rectified after sufficient notice has been given.

For redevelopment sites, the City will negotiate with the following guidelines:

- a)** Existing units from previous building will be maintained, with the aim to meet the Housing Vancouver targets from any additional units, dependent on senior government contributions.
- b)** Redevelopment of housing will follow the Tenant Relocation and Protection Policy with additional supports if required.

To determine the pre-paid ground rent, the following valuation methodology will be used:

- The prepaid ground rent is the borrowing capacity of the project, taking into account standard revenue and expense assumptions.
- Senior governments are expected to fund major capital repairs for lease extensions, new construction costs for redevelopments, and operating subsidies (including rent supplements and care services).
- The ground rent will be based on the income generated from the project and the levels of affordability provided. The ground rent may be nominal in cases of deep affordability.

BCNPHA Response



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July 16, 2018 (Revised)

Re: Response to the City of Vancouver's Proposed Non-Profit Land Lease Framework

Dear Nathan Bunio and Dwayne Drobot,

The BC Non-Profit Housing Association (BCNPHA) is pleased to submit this response to the City of Vancouver as part of its consultation process with non-profit housing providers on the proposed Non-Profit Land Lease Framework. This response is being submitted on behalf of the 22 of non-profit housing providers, our members, who participated in a consultation session on June 15, 2018. This response provides feedback on key terms contained in the proposed Non-Profit Land Lease Framework.

In sum, non-profit housing providers in the room endorsed the direction and intention of the City of Vancouver's Proposed Non-Profit Land Lease Framework however, the group unanimously agreed that there was not enough information provided to support a full endorsement of the framework to the City of Vancouver. Further, as acknowledged by City staff, the group unanimously raised the following concerns:

- 1) Affordability at all levels of need (explicitly including shelter rates) must be considered and prioritized in the renewal of ground leases, including the reduction of ground lease cost to maintain housing stability for existing low-income tenants during a redevelopment scenario.
- 2) Reporting on income and asset limits must occur within the verified and tested legal bounds of the Residential Tenancy Act to shield non-profit operators from associated legal risks.
- 3) Income and asset testing must occur in alignment with other levels of government's reporting requirements to reduce operational burdens.

On behalf of the non-profit housing providers in attendance we respectfully request that council instruct staff to diligently consider these concerns as the framework is implemented. The main concerns are outlined in more detail below by the goals and key terms outlined in the proposed framework.

Regards,

Marika Albert
Policy Director, BC Non-Profit Housing Association

Goal 1. Protect affordability levels within existing stock, matching rents to incomes and supporting the right supply.

Key Terms	Non-Profit Housing Providers (NPHPs) Feedback
<p>Maintain existing affordability levels, making adjustments based on senior government contributions.</p>	<p>NPHPs generally agreed with the key term but there were concerns:</p> <ul style="list-style-type: none"> The targets, including retaining current income levels for units, as presented are not attainable without a significant reduction in land lease costs and unless considerable investment from senior levels of government can be secured. The affordability targets will not accommodate many, if any, units at shelter rates. <p>Consideration:</p> <ul style="list-style-type: none"> The City of Vancouver may want to consider playing an active role in NPHPs in obtaining the required investments/contributions from senior levels of government. Attendees felt that this support can help in obtaining senior government investment.
<p>Income and asset limits for low-end of market units per BC Housing regulations.</p>	<p>NPHPs generally agreed with the principle but were concerned with how this principle would be implemented.</p> <p>Consideration:</p> <ul style="list-style-type: none"> The City of Vancouver provide further information and clarification on how this principle will be implemented.
<p>Regular income and asset testing for subsidized and low-end of market units.</p>	<p>The operational implications of income testing and reporting are key concerns with the framework.</p> <ul style="list-style-type: none"> Reporting burdens: NPHPs already have considerable reporting burdens related to acquiring funding from senior levels of government. They felt that additional reporting required under the proposed land lease framework could be overly-burdensome and could have a financial impact on the organization. Privacy concerns: NPHPs with operating agreements with BC Housing currently go through an annual review where each tenant is reviewed, income tested, and subsidy eligibility is determined. Tenants in these buildings have consented to share their income and asset

	<p>information through the subsidy and waitlist process. This would not be the case for City of Vancouver reporting requirements. It would be cumbersome to repeat this process of City of Vancouver reporting (see above).</p> <p>Privacy concerns were also raised for tenants of supportive housing. Tenants are placed in the appropriate supportive housing units based on their support needs, not on the level of their income. Therefore, they expressed concerns that it is a breach of a tenant's right to privacy to have their mental health status disclosed because of reporting requirements.</p> <ul style="list-style-type: none"> • Legal risks: NPHPs identified legal risks associated with the requirement for income testing and the subsequent eviction of tenants which could lead to legal challenges under the BC Residential Tenancy Act. It remains unclear whether the City has the right to oblige a NPHP to request tenants who do not receive subsidy directly but are considered subsidized due to below-market rents to disclose their income on an ongoing basis and/or to evict them on these grounds. <p>Considerations:</p> <ul style="list-style-type: none"> • NPHPs recommend that the City of Vancouver align reporting requirements with already existing reporting processes i.e. BC Housing or Vancouver Coastal Health. The City of Vancouver should also consider reporting exemptions if the NPHP is accredited or is already required to report to senior levels of government. • The City should consider aligning all of its reporting requirements with senior levels of government and further to obtain a legal opinion and consult with the Residential Tenancy Branch on what constitutes a legal form of ongoing income and asset testing.
<p>Adopt unit occupancy guidelines to address over-housing and under-housing issues.</p>	<p>The majority of participating NPHPs agreed with this principle.</p>
<p>Annual reporting of rent rolls and tenant income and asset information.</p>	<p>See related comments above under 'regular income and asset testing.'</p>

Goal 2. Ensure all levels of government are contributing.

Key Terms	Non-Profit Housing Providers (NPHPs) Feedback
<p>City will prioritize affordability in ground rent calculation. Senior governments are anticipated to contribute to major capital repairs/reserves, construction costs, and operating subsidies.</p>	<p>There was general agreement with this principle however NPHPs requested more information on how this principle would be implemented.</p> <p>Considerations:</p> <ul style="list-style-type: none"> The City of Vancouver should consider playing an active role in supporting NPHPs in obtaining the required investments/contributions from senior levels of government.

Goal 3. Address physical building challenges to create sustainable buildings.

Key Terms	Non-Profit Housing Providers (NPHPs) Feedback
<p>Renovation and repair should improve a building's environmental performance.</p>	<p>NPHPs are concerned with the high cost of building systems and their impact on affordability.</p> <p>Considerations:</p> <ul style="list-style-type: none"> The City of Vancouver has to clarify that affordability is the priority before building performance.
<p>Lifecycle capital maintenance plan every 6 years. Maintenance Plan every 3 years.</p>	<p>The majority of providers agreed with this principle.</p>
<p>Any capital repairs that require tenant relocation will follow the tenant Relocation and Protection Policy.</p>	<p>There was general agreement with this principle however it was unclear how the significant costs associated with tenant relocation factors into the reduction of leases costs.</p> <p>Providers also expressed concern that it was very unlikely that tenants can be relocated within the City of Vancouver at the rents they currently pay in their current (old and affordable) tenancies.</p> <p>Considerations:</p> <ul style="list-style-type: none"> The City of Vancouver has to clarify and provide further information on how tenant relocation costs will be factored into the reduction of lease costs.

Goal 4. Ensure operations are financially viable and promoting good governance practice.

Key Terms	Non-Profit Housing Providers (NPHPs) Feedback
<p>Any annual surplus be directed to capital reserves, operating reserves, increased affordability, or will be divided equally between the operator and the City.</p>	<p>NPHPs expressed concern and requested more information and clarity on what "dividing between the operator and the City would entail."</p> <p>The majority of NPHPs rarely generate surpluses, and if they do, the way surpluses are directed is outlined in operating and funding agreements with funders.</p> <p>Consideration:</p> <ul style="list-style-type: none"> The City has to clarify that it will reinvest the funds into affordability and that NPHPs are enabled to do the same. The City has to provide more detailed information on how this would be implemented and consider how this policy could align with funding agreements.
<p>Annual report of financial audited statements and operating budget. Operational review every 3 years at minimum.</p>	<p>Concern was expressed about the financial burden providing audited statements would be on small to medium providers.</p> <p>1. Consideration:</p> <ul style="list-style-type: none"> Non-Profit housing providers suggest that the City of Vancouver allow NPHPs to provide consolidated financial statements which would decrease the financial and reporting burden on NPHPs especially for small to medium sized NPHPs.
<p>City to continue to have option to terminate the lease if breach not rectified after sufficient notice.</p>	<p>The majority of providers agreed with this principle.</p>

Goal 5. Grow the affordable housing stock by optimizing city land and explore redevelopment opportunities.

Key Terms	Non-Profit Housing Providers (NPHPs) Feedback
<p>Maintain existing units from previous building, with the aim to meet the Housing Vancouver targets from any additional units, dependent on senior government contributions.</p>	<p>NPHPs generally agreed with the principle but were concerned with how these targets could be achieved without significant reduction in land lease costs.</p>

About BCNPHA

The BC Non-Profit Housing Association as the provincial umbrella organization for the non-profit housing sector in British Columbia, is comprised of nearly 600 members, including non-profit housing societies, businesses, individuals, partners, and stakeholders. Together non-profit housing societies manage more than 60,000 units of long-term, affordable housing in over 2,000 buildings across the province. Our members provide supportive, transitional, and assisted housing services to a diversity of individuals and families in communities of all sizes.

For more information, contact:

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