



## ADMINISTRATIVE REPORT

Report Date: August 23, 2018  
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Meeting Date: September 18, 2018

TO: Vancouver City Council  
FROM: General Manager of Arts, Culture and Community Services  
SUBJECT: Capital Grant for 616 East Cordova Street (Union Gospel Mission) for Supportive Housing

### **RECOMMENDATION**

- A. THAT Council approve a grant of \$1,590,000 (“the Capital Grant”) to the Union Gospel Mission (“UGM”) (a registered charity with Canada Revenue Agency) to assist with the construction of its proposed 63-unit social and supportive housing development (“the Development”) at 616 East Cordova Street, legally described as PID: 023-179-732, Parcel A Block 59 District Lot 196 Group 1 New Westminster District Plan LMP24681 (the “Lands”); source of funding to be development contributions from the 2015-2018 Capital Plan (Non-Market Rental Housing);

AND THAT Council approve \$1.59 million increase to the Multi-Year Capital Budget. Expenditures will be managed within the overall approved 2018 Annual Capital Expenditure Budget;

AND THAT the issuance of the Capital Grant be subject to the following conditions:

- i. Execution of a grant agreement (“the Grant Agreement”) on the terms and conditions as outlined in this report (or signing and returning a grant letter agreeing in writing to its terms);
- ii. Registration of a housing agreement (“the Housing Agreement”) securing all 63 housing units as Social Housing (“the Social Housing Units”) for 60 years or the life of the building, whichever is greater, in accordance with the definition of Social Housing per the Zoning and Development By-law, Development Cost Levy By-law, and the Downtown Eastside Plan;
- iii. Confirmation of funding/financing sources for the Development secured to the satisfaction of the Director of Legal Services; and,
- iv. Building Permit issuance for the Development.

- B. THAT the Grant Agreement and/or grant approval letter be on the terms generally outlined in this Report and otherwise satisfactory to the General Manager Arts, Culture and Community Services and Director of Legal Services.
- C. THAT the General Manager Arts, Culture and Community Services be authorized to execute a grant approval letter, and the Director of Legal Services be authorized to execute a Grant Agreement, on behalf of the City.
- D. THAT no legal rights or obligations are created by the approval of Recommendation A above unless and until the Grant Agreement (or letter of agreement) is executed and delivered by the City and the UGM.

Approval of Recommendation A constitutes a grant and therefore requires affirmative vote of at least two-thirds of all of Council members pursuant to Section 206(1) of the *Vancouver Charter*.

### **REPORT SUMMARY**

This report recommends Council approve the Capital Grant to UGM to assist with the construction of its proposed 63-unit social and supportive housing development at 616 East Cordova Street. The Capital Grant would be payable following execution of the Grant Agreement, registration of the Housing Agreement on title to the Lands, confirmation of funding/financing sources for the Development secured to the satisfaction of the Director of Legal Services and issuance of the building permit for the Development.

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

***Downtown Eastside (DTES) Plan*** – In March 2014 Council adopted the Downtown Eastside (DTES) Plan with the goal to improve the diversity of housing types, including much-needed social housing and secured market rental housing, as well as to improve building conditions, secure affordability, and provide supports to vulnerable tenants. The DTES Plan identifies the need to replace the 4,500 single room occupancy (SRO) rooms over the next 30 years with safe, secure and self-contained dwelling units, while also upgrading the current stock in the interim.

***Housing Vancouver Strategy and Action Plan*** — In November 2017 Council approved the *Housing Vancouver Strategy (2018–2027)* and *3-Year Action Plan (2018–2020)*. The strategy seeks to shift the supply of new homes toward the right supply, with targets for new units along a continuum of housing types. The Housing Vancouver targets were based on the core goals of retaining the diversity of incomes and households in the city, shifting housing production towards rental to meet the greatest need, and coordinating action with partners to deliver housing for the lowest income households. Overall, 72,000 new homes are targeted for the next 10 years, including 12,000 social, supportive and non-profit co-operative units and 20,000 purpose-built rental units. Nearly 50 percent of the new units are to serve households earning less than \$80,000 per year, and 40 percent are to be family-size units. This project will contribute towards the targets for social housing.

**Development Permit** – On June 11, 2018, the Development Permit Board approved the development of this site, subject to certain conditions (DP-2018-00255) (“the Development Application”). The conditions include a condition requiring that a Housing Agreement be registered on title to the Lands. The draft Agreement has been prepared and once the Housing Agreement has been settled, a bylaw for approval of same will be brought forward for consideration by Council in advance of, and as a requirement for, issuance of the Capital Grant.

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

The Capital Grant supports the substantial investment of multiple partners to deliver a unique project offering shelter rate housing and support services in the Downtown Eastside and therefore the General Manager of Arts, Culture and Community Services and the City Manager RECOMMEND approval of the foregoing.

### **REPORT**

#### **Background/Context**

This is an important project supported by multiple funders, including the provincial and federal governments and non-profit partners, that addresses the need for social and supportive housing in the Downtown Eastside.

#### **Strategic Analysis**

Housing Vancouver identifies the need for, and targets the completion of, 12,000 social housing units by 2028. If this Capital Grant is approved, it will aid the completion of 63 Social Housing Units with supports in the Downtown Eastside. It is anticipated by UGM that all of the Social Housing Units will be rented at the shelter component of income assistance.

**Figure 1: Progress Towards 10 Year Housing Vancouver City-Wide Targets for Non-Market Housing as of June 30, 2018**

Housing Type	10 Year Targets*	Units Approved Towards Targets**
Social, Supportive, and Co-op Housing Units	12,000	2,015

\*Note that tracking progress towards 10-year Housing Vancouver targets began in 2017

\*\*Unit numbers exclude the units in the Development

**Figure 2: Downtown Eastside Housing Targets Progress Update – as of June 30, 2018**

	10-Year Target	30-Year Target	Achieved	Gap (10-Year)	Gap (30-Year)
<b>Social Housing (inside DTES)</b>	1,400	4,400	1,590	190 (over target)	2,810
<b>Secured Market Rental (inside DTES)</b>	1,650	3,000	597	1,053	2,403

### Housing Infrastructure Capital Grants and Contributions

In situations where the development of non-market housing projects is not viable, or where a City contribution will assist in addressing street homelessness or the needs of low income and core-need households, Council provides capital contributions to non-market housing sponsors. Such contributions help ensure the projects can proceed, and that the rents in these properties can be reduced to levels that are affordable to persons on income assistance or who are otherwise low income/core-need income households.

This Development will serve a Council priority by providing 63 units of supportive housing with rents geared to the shelter component of income assistance in the Downtown Eastside for those who are vulnerable and at risk of homelessness. The Development supports the DTES Plan goal to replace SROs with self-contained social housing. The Development also works within the DEOD requirement to leverage partner equity with a non-profit and senior government partners to assist the City in increasing social housing. This Development enables the City an opportunity to partner with UGM, BC Housing, and the BC Ministry of Children and Family Development to provide much-needed social and supportive housing for low-income households, including families with children, who are homeless or at a high risk of homelessness. Staff recommend that Council approve the Capital Grant in the amount of \$1,590,000 to UGM to support the construction of 63 Social and Supportive Housing Units at 616 East Cordova Street.

### Financial

#### One-time Capital Contribution

The overall project cost, which includes a child care centre, is estimated at \$39.6 million, including land and construction. UGM has estimated that the cost associated with the housing component is \$35.6 million. UGM is responsible for the design, construction, financing, operation and maintenance of the project, including any take-out financing.

The housing component of the project meets the City's definition of "social housing" and will qualify for DCL exemption under Section 523D (10)(d) of the Vancouver Charter and the Vancouver Development Cost Levy By-law. The DCL exemption for the social housing is estimated to be \$1,144,091 (to be confirmed at Building Permit stage), inclusive of the new utilities DCL.

The recommended City contribution (\$1,590,000) in the form of a capital grant represents approximately 4% of the estimated development cost (land and construction)

of the housing component. The source of funding for the Capital Grant is development contributions from the 2015-2018 Capital Plan in the category of Non-Market Rental Housing and the Multi-Year Capital Budget will increase by \$1.59 million. Expenditures will be managed within the overall approved 2018 Annual Capital Expenditure Budget.

**Table 1: Capital Cost and Source of Funds Summary**

<b>Estimated Development Costs</b>	
Land	\$3.9 million
Development – Housing	\$32.1 million
Development – Childcare	\$3.6 million
<b>Total</b>	<b>\$39.6 million</b>

<b>Source of Funds</b>	
Land - UGM	\$3.9 million
Equity & Fundraising – UGM	\$18.5 million
City of Vancouver – Grant	\$1.6 million
BC Housing Grant	\$14.0 million
MCFD – Grant Childcare	\$0.5 million
DCL/DCC waivers anticipated	\$1.1 million
<b>Total</b>	<b>\$39.6 million</b>

The City's contribution by way of the Capital Grant is conditional on execution of the Grant Agreement, registration of the Housing Agreement on title to the Lands, confirmation of funding/financing sources for the Development secured to the satisfaction of the Director of Legal Services, and issuance of the building permit for the Development.

### **Ongoing Operating**

Consistent with Council policy, non-market housing projects are expected to be self-sustaining over the long term and require no further contributions and subsidies from the City, with the exception of potential foregone property taxes should the project obtain Class 3 designation from the Province.

The housing component will be owned and operated by UGM or its affiliate Union Gospel Housing Society.

The Housing Agreement will secure a minimum affordability requirement of not less than one-third (21) of the units to be rented at the shelter component of income assistance (currently at \$375 per month for a single), up to one-third (21) at or below HILs affordable rate, and up to one-third (21) at affordable market rents as based on CMHC average market rents for East Hastings. That said, UGM anticipates offering all units at or near shelter component of income assistance, which will require approximately \$3

million (2018 dollars) in fundraising, annually, based on the operating budget submitted by UGM.

The society will continue to fundraise in order to accomplish these rent targets and offer associated support services. Donations have historically constituted a substantial source of subsidy for UGMs operations, which has been growing. UGM's fundraising abilities have a proven track record: donation revenue has been rising most years for the past decade, including significant increases of 15.9% and 9.8% the past two fiscal years, respectively.

## **CONCLUSION**

The City Manager and the General Manager of Arts, Culture and Community Services recommend Council approve the Capital Grant to UGM for the Development of 616 East Cordova Street which will add affordable housing for those who are homeless or at risk of homelessness in the Downtown Eastside, including supportive family housing. This Capital Grant contributes to project feasibility and supports partnerships in the development of sustainable social housing with supports in the Downtown Eastside Oppenheimer District.

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