



ADMINISTRATIVE REPORT

Report Date: November 15, 2018
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VanRIMS No.: 08-2000-20
Meeting Date: December 4, 2018

TO: Vancouver City Council
FROM: General Manager of Arts, Culture and Community Services
SUBJECT: Capital Grant for 1495 West 8th Avenue (Vancouver Masonic Centre) for Social Housing

RECOMMENDATION

- A. THAT Council approve a grant of \$1,910,000 (the "Capital Grant") to the Vancouver Masonic Centre Association ("VMCA") (a registered non-profit society) to assist with the construction of its proposed social housing development (the "Development") at 1495 West 8th Avenue, legally described as PID: 007-823-011; Lot E, Block 311, District Lot 526, Plan14443 (the "Lands").

Source of funding to be Development Cost Levies (DCLs) allocated to Housing, including:

- \$880,000 reallocated from the current approved capital budget for 2015-2018 Affordable Housing grant programs;
- \$534,000 remaining in 2015-2018 Capital Plan for Affordable Housing grants; and
- \$496,000 to be added to the 2015-2018 Capital Plan for Affordable Housing grants.

FURTHER 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); and
- ii. Confirmation of funding / financing sources for the Development being secured to the satisfaction of the Director of Finance and the Director of Legal Services.

- B. THAT, pursuant to Section 206(1)(j) of the *Vancouver Charter*, Council deem the VMCA, which is not otherwise a registered charity with Canada Revenue Agency to be to be an organization that is contributing to the welfare of the City.
- C. 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.
- D. THAT, the General Manager Arts, Culture and Community Services be authorized to execute a grant approval letter, and the City Solicitor be authorized to execute a Grant Agreement, on behalf of the City.
- E. THAT no legal rights or obligations are created by the approval of Recommendation A above unless and until the Grant Agreement (or letter of approval) is executed and delivered by the City and the VMCA and confirmation of funding / financing sources for the Development has been secured to the satisfaction of the Directors of Finance and Legal Services.

Approval of Recommendation A constitutes a grant and therefore require affirmative vote of at least 2/3 of all of Council members pursuant to Section 206(1) of the *Vancouver Charter*.

REPORT SUMMARY

This report recommends Council approve a \$1.91 million grant to VMCA for its proposed 150 unit non-market (social) housing development at 1495 West 8th Avenue. The Capital Grant would be payable following execution of the Grant Agreement (or signing and returning a grant letter agreeing in writing to its terms) and confirmation of funding/financing sources for the Development secured to the satisfaction of the Directors of Finance and Legal Services. A Housing Agreement securing all 150 units as Social Housing for 60 years or the life of the building, whichever is greater, has been registered on title to the Lands and a Building Permit has been issued for the Development.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

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.

Rezoning Approval and Enactment – A rezoning application for this development was approved, with conditions, by Council at Public Hearing on January 24, 2017. Included in

the conditions was a requirement that the VMCA enter into a Housing Agreement. The Housing Agreement by-law was enacted by Council on October 3, 2017 and the Housing Agreement and notice thereof were registered on title to the Lands. The remaining conditions of enactment having been met, Council enacted By-law No. 11933, CD-1 (682), on October 17, 2017.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The Capital Grant supports the substantial investment of multiple partners to deliver a social housing project and therefore the General Manager of Arts, Culture and Community Services and the City Manager RECOMMEND approval of the foregoing.

REPORT

Background/Context

The 150 social housing units proposed with this application will help achieve the 10-year Housing Vancouver target of 12,000 new social and supportive housing units.

Strategic Analysis

Housing Vancouver identifies the need for and targets the completion of 12,000 social housing units by 2028. Progress towards this target is outlined in the table below. A significant proportion of the social housing anticipated to be delivered to reach these targets is expected to be led by community partners, such as in the case of this project. If this capital contribution is approved, it will aid the completion of 150 units of social housing. The Housing Agreement secures that units will be rented at a range of rents with a minimum of 30% of the units with rents affordable to households at or below BC Housing's Housing Income Limits ("HILs"), and at least 20% rented at rates below CMHC Level 1 (approximately 15-20% above HILs maximum rents), with the remaining 50% rented at market rents.

Figure 1: Progress Towards 10 Year Housing Vancouver Targets for Non-Market Housing as of September 30, 2018

Housing Type	10-YEAR TARGETS	Units Approved Towards Targets
Social, Supportive, and Co-op Housing Units	12,000	3,482

*Note that tracking progress towards 10-year Housing Vancouver targets began in 2017
 *Q3 figures include 228 temporary modular homes approved in Q1 and Q2 of 2018 that were not previously counted towards the target

Housing Infrastructure Capital Grants and Contributions

In situations where the development of non-market housing projects are not viable, or where a City contribution will assist in addressing the issue of street homelessness, or meeting the needs of low income and core-need households, Council has provided 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 project will serve a Council priority by providing 150 units of non-market rental housing including 39 units suitable for families with children. BC Housing has confirmed a grant of \$4,000,000 for the project. This project enables the City an opportunity to partner with VMCA and BC Housing to provide social housing for low-income households.

Staff recommend that Council approve a capital contribution of \$1,910,000 to VMCA to support the construction of 150 units of social housing at 1495 West 8th Avenue.

Financial Implications

One-time Capital Contribution

The overall project cost, which includes the Vancouver Masonic Centre, is estimated at \$111.3 million, including land and construction. VMCA is responsible for the design, construction and financing of the project, including any take-out financing.

The residential component of the project (150 units) meets the definition of social housing under Section 523D (10)(d) of the Vancouver Charter and the Vancouver Development Cost Levy By-law and qualified for a DCL exemption valued at \$1.5 million.

In accordance with the current Housing Infrastructure Grant program for social housing, the recommended City contribution of \$1,910,000 is based on \$10,000 per unit (studios/1-bedroom units), \$20,000 per unit (2-bedroom), and \$30,000 per unit (3-bedroom). It represents 2.3% of the project cost (construction and proportional share of land value) of the social housing component. The source of funding for the grant will be Housing DCLs including:

- \$880,000 reallocated from the current approved capital budget for 2015-2018 Affordable Housing grant programs;
- \$534,000 remaining in 2015-2018 Capital Plan for Affordable Housing grants, and
- \$496,000 to be added to the 2015-2018 Capital Plan for Affordable Housing grants.

Table 1: Capital Cost and Source of Funds Summary

	<u>\$M</u>	
Estimated Project Cost		
Land	38.4	
Development -- Residential	52.9	Note 1, 2
Development -- Non-Residential	20.0	Note 2
	<u>111.3</u>	
Current Sources of Funds		
Land equity (VMCA)	38.4	
Grant (City of Vancouver)	1.9	
Grant (BC Housing)	4.0	
Debt financing (BC Housing)	62.7	Note 3
	<u>107.0</u>	
Current equity gap	(4.3)	

Notes:

- 1) Net \$1.5M DCL exemption
- 2) Net proportional share of \$2.3M GST rebate
- 3) Calculated using standard financing assumptions for social housing projects, and VMCA-provided proforma

For the Development to proceed, the currently identified equity gap of \$4.3M will need to be addressed through one or more of cost reductions, increased external grants or increased debt. To this end, VMCA and BC Housing continue to work together to identify potential cost reduction and/or funding solutions.

The City's contribution by way of the Capital Grant is conditional on execution of the Grant Agreement and confirmation of all funding/financing sources for the Development secured to the satisfaction of the Directors of Finance and Legal Services. This grant also would have been conditional on registration of the Housing Agreement on title to the Lands and issuance of the building permit for the Development, but these have both already occurred. A Housing Agreement was entered into through enactment of a Housing Agreement By-law on October 3, 2017. A Building Permit (Stage 1) was issued on August 23, 2018 and construction is underway.

Ongoing Operating

Consistent with Council policy, non-market housing projects are expected to be sustainable over the long term and require no further contributions and subsidies from the City.

The social housing component will be owned and operated by VMCA. The Housing Agreement secures a minimum affordability requirement of:

- not less than 30% of the Social Housing Units rented to households with an income no more than the then current Housing Income Limit and each such Social Housing Unit to be rented at an annual rent which is no more than 30% of their aggregate annual income of the members of the household occupying such Social Housing Unit; and,

- for a minimum of 40 years commencing on the date of issuance of an Occupancy Permit, not less than 20% of the units will be rented to households whose gross income does not exceed the median income for families without children for the Province of British Columbia as calculated by the City, from time to time, based on data provided by Statistics Canada and each such Social Housing Unit will be rented at an annual rent which is no more than 30% of the aggregate annual income of the members of the household occupying such Social Housing Unit, and each such Social Housing Unit will have less than two bedrooms.

CONCLUSION

The City Manager and the General Manager of Arts, Culture & Community Services recommend Council approve a capital grant to VMCA for the development of 1495 West 8th Avenue which will contribute to the City's affordable non-market (Social) housing targets. This capital contribution contributes to project viability and supports community partnerships in the development of sustainable Social Housing in Vancouver.

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