



ADMINISTRATIVE REPORT

Report Date: December 4, 2018
Contact: Abi Bond
Contact No.: 604.873.7670
RTS No.: 12491
VanRIMS No.: 08-2000-20
Meeting Date: December 18, 2018

TO: Vancouver City Council
FROM: General Manager of Arts, Culture and Community Services in consultation with the General Manager of Real Estate and Facilities Management
SUBJECT: 2850 West 3rd Avenue (Pierce House)

IN CAMERA RATIONALE

This report is recommended for consideration by Council on the In Camera agenda as it relates to Section 165.2(1) of the *Vancouver Charter*.

(e) the acquisition, disposition or expropriation of land or improvements, if the Council considers that disclosure could reasonably be expected to harm the interests of the city; and

(k) negotiations and related discussions respecting the proposed provision of an activity, work or facility that are at their preliminary stages and that, in the view of the Council, could reasonably be expected to harm the interests of the city if they were held in public.

RECOMMENDATION

- A. THAT Council approve Atira Women's Resource Society ("Atira"), in partnership with British Columbia Housing Management Commission ("BC Housing"), as the selected non-profit partner to operate the one unit house located at 2850 West 3rd Avenue and legally described as PID:013-838-024 Lt 5 of Lot 2, Block 28, District Lot 192, Plan 2375 ("the House");
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease with BC Housing for 2850 West 3rd Avenue on terms and conditions outlined in this report including:
 - a nominal lease payment;
 - a sixty year span with the option to extend for additional terms at the City's discretion up to an aggregate maximum of ninety-nine years;

- a requirement that monthly rent for residents who remain at the House for greater than 30 days is no greater than the shelter component of Income Assistance;
- reporting requirements, including an annual rent roll and a periodic building condition report;
- a requirement to create, implement and comply with a capital asset plan;
- a requirement that BC Housing maintain the House to a high standard of maintenance, obtain any required Heritage Alteration Permits for this work, and maintain a capital replacement reserve at a level of funding sufficient to satisfy the foregoing;
- a requirement to create, implement and comply with an operating replacement reserve;
- a requirement that all revenues generated from the project to be reinvested to:
 - i. fund an operating reserve;
 - ii. augment the capital replacement reserve; and/or
 - iii. maintain and enhance offered services throughout the duration of the lease term;
- BC Housing is required to engage Atira as operator of the House for the duration of the term of the lease and may not remove or replace Atira as operator without the prior written consent of the City;
- BC Housing provide operating subsidies to Atira for the duration of the term of the lease sufficient to ensure financial viability of operation of the House; and
- such other terms and conditions which are satisfactory to the Director of Real Estate Services, the Director of Legal Services, and Director of Finance and the General Manager of Arts, Culture and Community Services.

Note: as nominal rent for the foregoing lease of \$10 is below the applicable 60-year market lease rate of approximately \$400,000 for the House, RECOMMENDATION B constitutes a grant valued at approximately \$399,990 and approval requires eight affirmative votes of Council.

- C. THAT Council approve a multi-year capital project budget of up to \$150,000 for the rehabilitation works at the House as further described herein;

Source of funding to be Development Cost Levies (DCLs) allocated to Replacement Housing to be added to the 2015-2018 Capital Plan for Affordable Housing grants. Expenditures for 2019 and subsequent years will be managed as part of the annual budget process;

- D. THAT no legal rights or obligations shall arise or be created by Recommendations A through D unless and until all legal documentation has been executed and delivered by respective parties.

REPORT SUMMARY

This report seeks Council authorization to enter into a lease agreement with BC Housing for the House at 2850 West 3rd Avenue based on the lease terms outlined in this report.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Council has the authority to purchase land and enter into leases and operating agreements.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Arts, Culture and Community Services recommends APPROVAL of the foregoing recommendations.

REPORT

Background/Context

The City received the property at 2850 West 3rd Avenue from the estate of Eric Manfort Pierce in 2016. Mr. Pierce's will directed that the property be used to benefit the citizens of Vancouver, so the City sought interest to operate the House for future use as a social purpose space.

The House is a two-storey wood frame structure, built circa 1909 and part of a collective streetscape of ten buildings on the Heritage Register. The site is zoned RT-8 which allows a range of cultural and recreational, dwelling and institutional uses. The structure is listed in the 'C' evaluation category on the Vancouver Heritage Register and was designated as a protected heritage property by Council in 2005. In addition to the considerable financial upkeep obligations of its heritage status, the House requires improvements to meet Code.

The City put out a Request for Proposals (RFP) asking for responses from mission-based, not-for-profit organizations to operate the house for the purpose of community benefit. The RFP emphasized that the use of the house must honour the wishes of Mr. Pierce by ensuring the house provides individuals, groups or communities with beneficial services and asked for the Proponents' purpose or core values, mission statements and strategic visions.

Strategic Analysis

Summary of procurement process

In response to the RFP, the City received seven proposals from the following proponents:

- Atira Women's Resource Society
- Fatherhood Mentorship Society
- Florence and Eric Pierce Society
- Kitsilano Neighbourhood House
- Square Peg Society
- University of British Columbia's Centre for Group Counselling and Trauma
- Vancouver International Open Spaces Sculpture Biennale

The proposals were evaluated by an evaluation team comprised of representatives from Affordable Housing, Partner Agreements, Long-term Financial Strategy, and Real Estate and Facilities Management, under the guidance of Supply Chain Management, to ascertain if the responses offered good overall value to the City. Evaluation criteria for assessing the proposals included the proposals' offer with respect to:

- a. Staffing, capacity and property management:
 - Qualifications and relevant experience of the Respondent's key personnel and sub-contractors to be included in the project team;
 - Proven record in delivering social purpose programming substantiated by recent and relevant client references, including a review of their purpose and mission statement and date of their certificate of incorporation; and
 - Knowledge of applicable regulations and legal agreements;
- b. Programming; and
- c. Financial feasibility of the organization and its proposal.

Based on the overall evaluation, the team concluded that the proposal submitted by Atira, in partnership with BC Housing, best met the City's requirements and was identified as the recommended proponent.

Atira is a non-profit society with an established record of operating social housing since 1983, offering 40 housing programs, including transition houses, shelters, long-term supportive housing and low market rental housing, two community childcares and many support programs.

s.15(1)(l), s.19(1)(a)

Summary of Proposed Lease

BC Housing, as Atira's proposed partner, has committed to providing operating subsidies for the project sufficient to ensure its ongoing viability. As a condition of BC Housing's funding, it requires a beneficial ownership interest in the House. Staff are therefore proposing to lease the House directly to BC Housing, thus satisfying its beneficial ownership requirement through a leasehold interest, on the condition that it enter into an operating agreement with Atira for operation of the House for the duration of the term of the lease.

The house has four bedrooms and the potential to house up to eight clients under a shared bedroom arrangement. Atira will be offering its clients rent-free access to the house for the first 30 days, followed by a rent charge equivalent to the shelter component of Income Assistance (currently \$375 per month), ensuring continued affordability for any tenant during the length of her stay.

After the initial building upgrades are performed, BC Housing, as lessee, will be responsible for all operational expenses including building maintenance and repairs, estimated at approximately

\$15,000 per year, plus a maintaining capital replacement fund of at least \$25,000 per year to ensure the house will be maintained to its heritage standard.

Atira's financial proposal projected annual operating expenses of approximately \$578,000, including the contribution to a capital replacement fund for the building. Given that the rental revenue generated from the clients will be minimal (less than \$25,000/annum), the ongoing operation and maintenance (including staffing) of the proposed transitional housing will be heavily reliant on continuing operating funds from BC Housing. BC Housing has indicated support for funding the project (see Appendix A).

This proposed contractual structure will enhance project viability and greatly reduce project risk, as BC Housing will be involved in financially supporting the operation of the House. The structure also satisfies the requirement for the House to remain a City asset and be used to benefit the citizens of Vancouver.

Initial Building Repairs & Code Upgrades

Atira will be responsible for performing any needed repair works and Building Code upgrades. They will conduct an audit of all work and costs, and prior to the commencement of any work, the City will review and decide whether to reimburse the successful Proponent for these costs to a maximum of \$150,000. The City will determine if the estimated costs to complete the work are reasonable or not (by comparing these to tenant improvements at similar buildings). If the City determines, through this and other benchmarking methods that the costs are not reasonable, the City will require the successful Proponent to pay for these improvements themselves.

Financial Implications

The City will enter into a 60-year nominal lease to BC Housing for the House. Real Estate Services estimate market value of that lease to be approximately \$400,000.

The City will pay up to \$150,000, for initial repair work and upgrades that are required to make the House fit for occupancy and approved by the City. The repairs and upgrades to the House, will be funded from DCLs allocated to Replacement Housing to be added to the 2015-2018 Capital Plan for Affordable Housing infrastructure grants.

BC Housing, as lessee, will be responsible for all operating expenses related to the House, including building maintenance and repairs, and for maintaining a capital replacement fund to ensure the House will be maintained to its heritage standard.

CONCLUSION

Mr. Pierce's will directed that, in honour of his late wife, Florence Emmaline, the House be used to benefit the citizens of Vancouver. Staff have completed a transparent and comprehensive process to identify an operator for Pierce House. Atira (in partnership with BC Housing) emerged as the strongest proponent to operate the House at 2850 West 3rd Avenue.

Staff recommend Council approve this operator and move forward in fulfilling Mr. Pierce's last wishes.

* * * * *

LETTER OF SUPPORT FROM BC HOUSING



Home Office
1701 – 4555 Kingsway
Burnaby, BC V5H 4V8

Tel 604-439-4109
Fax 604-433-5915

DELIVERED BY E-MAIL

30 November 2018

Atra Women's Resource Society
Janice Abbott
CEO
201-190 Alexander Street
Vancouver, BC V6A 1K7

Dear Janice Abbott:

Re: EOI 1070-1819/15 Building BC: Women's Transition Housing Fund

We are pleased to inform you that your submission for the *Women's Transition Housing Fund* Expression of Interest (EOI), meets our EOI requirements.

Over the next number of months our staff will be contacting you to discuss opportunities, if we are to develop a project in the community/communities you identified as a priority.

We want to thank you for your interest in creating safe, secure, affordable women's transition housing and look forward to working with you in creating this much needed resource. Please do not hesitate to contact (James Forsyth at jforsyth@bchousing.org) should you want more information.

Yours truly,

A handwritten signature in black ink, appearing to read "Michael Flanigan".

Michael Flanigan
Vice President, Development and Assets
BC Housing Management Commission