



ADMINISTRATIVE REPORT

Report Date: December 4, 2018
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VanRIMS No.: 08-2000-20
Meeting Date: January 15, 2019

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: 3030 Victoria Drive Lease and Operating Agreement

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") as the selected non-profit partner to operate the one-family dwelling located at 3030 Victoria Drive and legally described as PID: 012-069-612, Lot 9 of Lot C, Block 168, District Lot 264A, Plan 3886 ("the House");
- B. THAT Council authorize the Director of Real Estate Services to negotiate and execute a lease with Atira for the House on terms and conditions outlined in this report including:
 - a nominal lease payment;
 - a ten year span with the option to extend for up to ten additional one-year terms at the City's discretion;
 - a requirement that monthly rent not exceed 30% of household income;

- reporting requirements, including an annual rent roll;
- all revenues generated from the project to be reinvested to:
 - i. fund an Operating Reserve, and/or
 - ii. maintain and enhance offered services throughout the life of the project, and/or
 - iii. fund payment of identified capital maintenance or replacement costs;
- the operator to provide insurance required by the City of Vancouver, and
- such other terms and conditions which is 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..

As the nominal lease of s.17(1) is below the applicable 10-year market lease rate of approximately s.17(1) for the House, RECOMMENDATION B constitutes a grant valued at approximately s.17(1) and approval requires eight affirmative votes of Council.

- C. THAT Council approve a multi-year capital project budget of up to s.17(1) for the rehabilitation works at the House;

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 C 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 Atira to operate the House at 3030 Victoria Drive 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

In January 2016 the City purchased a single unit house at 3030 Victoria Drive (the "House"). It is

one of ten contiguous sites that the Park Board plans to eventually add to John Hendry (Trout Lake) Park to accommodate the need for park space in this area.

The Park Board expects that the acquisition of the remaining nine sites will take about ten years to complete, which means that, in the interim, (“the House”) has potential to serve as affordable housing.

The House is comprised of two floors with a basement, encompassing about 2,300 sq. ft., plus a large deck and a small balcony, and would be suitable for a family. The site is zoned RT-5A.

There are considerable renovations required to make the house habitable and to bring it up to Code. As well, during the winter of 2016-2017 there was a flood in the main floor bathroom which left damage that requires repair. The costs for this work and other required upgrading, is estimated to be s.17(1), and will be paid for by the City.

The City issued a Request for Proposals (RFP) in July 2018, and asked for responses from experienced housing operators to i) run the House as a non-profit or co-operative housing unit, and ii) procure the necessary renovations.

Strategic Analysis

Summary of Procurement Process

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

- Atira Women’s Resource Society
- Pacific Community Resources Society

The proposals were evaluated by a 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. Residential Property Management;
- b. Income testing, tenanting and screening processes;
- c. Fundraising;
- d. Efficient and cost effective management of operations; and
- e. Knowledge of applicable regulations and legal agreements.

Based on the overall evaluation, the team concluded that the proposal submitted by Atira 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.

Atira is proposing to rent the House to an Indigenous family who will raise their two children and foster additional children as the opportunity allows.

Summary of Proposed Lease & Operating Agreement

The monthly rent charge for the House will not exceed 30 percent of the monthly household income of the occupant family, and as such meets the standard affordability test.

Following the completion of the City-funded renovations to the House, Atira will be responsible for all operational expenses, including building operations, maintenance, and staffing, as well as any capital maintenance costs that arise.

The annual rental revenue is projected to be sufficient, on its own, to cover all operational expenses (estimated at s.17(1) per year) and any capital maintenance costs for the duration of the 10-year lease and operating agreements. Other sources of funding may also be secured by Atira, and the ultimate funding mix will be finalized through negotiations between the City and Atira.

Initial Building Repairs & Code Upgrades

Atira will be responsible for performing the initial City-funded procurement for the required repair works to the building. Prior to the commencement of any work, Atira will complete a cost estimate of the identified scope, and will submit a proposal to the City for review and approval. In the event the City does not approve the submitted proposal (reasons for such could include, for example, an unreasonably high cost estimate), the City has reserved the right to cancel the arrangement with Atira, or, alternatively, to request that Atira directly fund any costs that the City deems unreasonable.

Financial Implications

The City will enter into a 10-year nominal lease to BC Housing for the House. Real Estate Services estimate market value of that lease to be approximately s.17(1).

The City will pay up to s.17(1), 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.

Atira, as lessee, will be responsible for all operating expenses, including building maintenance and repairs and property taxes, and any capital maintenance costs that arise.

CONCLUSION

Although the Park Board's long term plans for the House involve its demolition in 10 years, this report would see it returned to residential use in the interim. Furthermore, the rents would be indexed to the tenants' income at an affordable level (i.e. 30 percent of monthly income) and the occupants would be a family.

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