



ADMINISTRATIVE REPORT

Report Date: June 4, 2019
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Meeting Date: June 11, 2019

TO: Vancouver City Council

FROM: Chief Executive Officer, Vancouver Affordable Housing Agency Ltd.
("Housing Agency")

SUBJECT: Designation of Vancouver Affordable Housing Agency as Agent of the City
to Develop City Land Assets at 2031 and 2037 Stainsbury Avenue

RECOMMENDATION

- A. THAT Council designates the Housing Agency to act as the agent of the City to enable the development of affordable housing on City-owned land at 2031 and 2037 Stainsbury Avenue, legally described as Lot 7, Blocks 6 to 8, District Lot 195, Plan 1976; Lot 8 Blocks 6 to 8 District Lot 195 Plan 1976; PIDs: 014-138-301 and 004-763-114 respectively ("the Properties").
- B. THAT, subject to approval of Recommendation A, Council authorize the transfer of the Properties from the Property Endowment Fund to the Capital Fund for \$2.4 million; source of funding to be the approved 2019 Capital Budget for Affordable Housing Land Acquisition.

REPORT SUMMARY

The Properties at 2031 and 2037 Stainsbury Avenue were acquired by the City, via the Property Endowment Fund, in 2018 to facilitate land assembly with adjacent City properties at 2009, 2015, and 2021 Stainsbury Avenue previously designated to the Housing Agency by Council for the development of non-market housing (the "Project").

A substantial amount of preliminary design development has been carried out in respect of the Project and funding has been provisionally approved by BC Housing from its Community Housing Fund, with final funding subject to final unit yield. Preliminary plans for the Project show an anticipated 102 unit yield and are expected to exceed the minimum social housing affordability requirements.

This report seeks Council's approval for the designation of the Housing Agency, to act as the agent of the City, to enable development of the Project. If approved, the Properties would be transferred from the Property Endowment Fund to the Capital Fund at fair market value.

The Project will be processed under the SHORT (Social Housing or Rental Tenure) program, with target completion in 2022.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

- In 2014, Council authorized the creation of the Housing Agency with a mandate of delivering 2,500 affordable housing units on City and partner land by 2021, commencing with an initial program of 500 affordable housing units subject to interim review.
- In 2017, Council approved the Housing Vancouver Strategy (2018-2027) and 3-Year Action Plan (2018-2020). In 2018, Council approved the Housing Vancouver Delivery and Financial Strategy.
- In 2018, Council designated the Housing Agency as agent of the City to enable development of affordable housing on City-owned land at 2009, 2015 and 2021 Stainsbury Avenue.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

In April 2018 Council designated the Housing Agency to act as the agent of the City to enable development of affordable housing on City-owned land at 2009, 2015 and 2021 Stainsbury Avenue.

In late 2018, the Properties were acquired through the City's Property Endowment Fund on behalf of the Housing Agency to support the development of a larger affordable housing project on an assembled site.

Strategic Analysis

A. Preliminary design development for the Project is well-advanced

Based on staff evaluation, the properties at 2009 to 2021 Stainsbury Avenue are suitable for permanent housing, and would require rezoning as per the Kensington-Cedar Cottage Community Vision.

While discussing the site with BC Housing, considerable interest was raised in a partnership opportunity to develop permanent social housing that can maximize the density achieved through rezoning and explore options for accelerated development via innovative construction delivery methods. During preliminary design work on this site, it was determined that acquiring the adjacent properties at 2031 and 2037 Stainsbury Avenue could add approximately 30 housing units.

The Project will be processed through the SHORT (Social Housing or Rental Tenure) program , with target project completion in 2022.

The Project has been selected for the Vienna House/Vancouver House collaboration project between the City of Vienna and City of Vancouver. This initiative is being championed by Green Building Programs. Both Cities have signed a Memorandum of Understanding to share knowledge and advance innovation in low-carbon affordable housing. Each city will ultimately feature a building named after its counterpart and it is hoped via the exchange of knowledge and cooperation, advanced learning outcomes will be achieved.

The City's Green Building Programs and Supply Chain Management Divisions will perform a critical role in advancing this project in cooperation with BC Housing, the selected Non-Profit Operations provider (TBD), Educational Institutions, Housing Agency and selected low-carbon affordable housing design and construction experts from Vienna.

Key Objectives:

1. Collaborate with and learn from Vienna based partners
2. Establish new approaches to achieve fast, low-carbon affordable housing
3. Procurement innovation
4. Shared insights

A substantial amount of preliminary design development work on the Project has already been completed, including preparation of schematic drawings, environmental assessment, geotechnical investigation, topographic survey, building grade determination, and arborist study. Over the course of several meetings, the Housing Agency has also received extensive input from Planning and Urban Design on its current design proposal. If Council designates the Housing Agency to act as agent of the City to develop the Project, development can proceed to a Rezoning Enquiry over the following months. Based on this, it is likely that the development will be ready for occupancy in 2022.

B. The units developed will contribute to the 'right supply'

The Housing Vancouver Strategy (2018-2027) and the 3-year Action Plan (2018-2020) emphasizes the need for a 'right supply' of social housing. Preliminary designs of the proposed development include a mix of studio, 1, 2 and 3-bedroom units. Based on social housing requirements, a minimum of 30% of the units will rent at or below BC Housing Income Limits (HILS).

BC Housing has committed provisionally to funding this project under its Community Housing Fund program. The target affordability under the program is (i) at least 20% of the units to rent at no greater than shelter rates, (ii) 50% to rent to households with income not exceeding HILs and at rent geared-to-household income, and (iii) balance of affordable housing units to rent to households with income no greater than the low to moderate income limits.

C. Incorporating adjacent properties will yield ~30 additional housing units

The Properties feature two RS-1 houses built in 1910. The house at 2031 Stainsbury Avenue has been identified via a 2018 Building Condition Assessment (BCA) Report and Non-Destructive Hazardous Material Report as being in poor condition and not viable for habitation. Retention and refurbishment is cost prohibitive and would substantially limit the potential unit yield for the Project.

The house at 2037 Stainsbury Avenue is currently tenanted. Official Notice to End Tenancy will be provided to the tenant according to the terms outlined in their lease agreement, and in compliance with the Residential Tenancy Act (RTA). As the original owner is renting back under this agreement, no formal Tenant Relocation Plan is required under City policy, and the owner will be compensated based on requirements under the RTA. The option to enter a mutual agreement to end tenancy remains open to the City, Housing Agency and tenant.

Neither property is listed on the Heritage Registry, although each house retains some character features primarily due to age and method of construction. A review and subsequent meeting with the Heritage Planning staff confirmed that retaining either structure would significantly limit the potential unit yield at the site and be cost prohibitive. Retention was therefore determined to be unviable and each house is targeted for deconstruction or prior to future development, subject to approved rezoning.

Financial Implications

The typical funding model for social housing projects entails leasing City land to non-profit/co-op housing partners at below market or nominal rent for 60 years or longer, who will design, build, finance, operate and maintain the housing project at prescribed affordability over the lease term. To achieve the target affordability, the project will likely not be able to finance the entire construction costs through a mortgage, thereby requiring additional equity contributions from senior governments, foundations and charities. The deeper the affordability, the bigger the equity gap would be. The project will not be able to proceed without confirmation of all funding partners.

Land – The Properties were acquired by the Property Endowment Fund on behalf of the Housing Agency in 2018 to facilitate land assembly with adjacent City properties at 2009, 2015, and 2021 Stainsbury Avenue. As the Project is now ready to proceed, the Properties will be transferred from the Property Endowment Fund to the Capital Fund for \$2.4 million (fair market value); source of funding to be the approved 2019 Capital Budget for Affordable Housing Land Acquisition. Any future lease payment secured from a non-profit/co-op partner, after the completed development is handed over, will be transferred into the new Vancouver Affordable Housing Endowment Fund (VAHEF).

It would take nine to 12 months to sort out development partner(s), senior government partnership, funding and financing arrangements, and other project-specific terms and conditions. Staff will report back to Council in the future with Project details and lease and partnership arrangements.

Housing Development – The proposed 6-storey wood-frame development is estimated to cost ~\$30-35 million.

BC Housing issued a Request for Proposals in June 2018 to non-profit housing providers or for-profit firms that partner with non-profit housing societies interested in developing and operating new rental housing units for independent seniors and families within the province of British Columbia that qualify under the new Community Housing Fund (CHF) program. This program will provide mixed-income projects, with rents affordable for a range of low and moderate income households.

In November 2019, BC Housing announced provisional approval to fund this Project for \$7.7 million based on the then estimated unit count of 77 units (\$100,000 per unit). BC Housing has been informed of the changes in unit count arising from the design development process and the proposed amalgamation of the Properties with 2009-2021 Stainsbury Avenue. BC Housing has reaffirmed its support for this Project and will adjust its funding accordingly if more affordable housing units can be delivered through the Project.

Consistent with Council policies, all affordable housing projects are expected to be self-sustaining over the long-term where rents are set at levels that will cover mortgage payments (to repay some or all of the construction costs), operating costs and capital replacement; and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City.

CONCLUSION

Designating the Housing Agency to act as the agent of the City to enable the development of affordable housing on the Properties will add ~30 units to the Project contemplated for 2031 and 2037 Stainsbury Avenue .

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Plan showing location of City owned lots at 2009 – 2037 Stainsbury Ave.

