



IN CAMERA

REPORT

Report Date: July 2, 2020
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VanRIMS No.: 08-2000-21
Meeting Date: July 21, 2020

TO: Vancouver City Council

FROM: General Manager of Real Estate and Facilities Management in consultation with the Chief Executive Officer of Vancouver Affordable Housing Agency

SUBJECT: Acquisition of land for Affordable Housing – 2930 Renfrew Street

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

THAT Council authorize the General Manager of Real Estate & Facilities Management to proceed with the acquisition of those parcels of land having a civic address of 2930 Renfrew Street, and legally described as: Parcel Identifier 006-804-829, Lot 4 Block A Section 43 Town of Hastings Suburban Lands Plan 11660; Parcel Identifier 006-866-441, Lot 5 Block A Section 43 Town of Hastings Suburban Lands Plan 11660; and Parcel Identifier 006-866-468, Lot 6 Block A Section 43 Town of Hastings Suburban Lands Plan 11660 (together, the "Subject Property"), for the purpose of acquiring land for the development of supportive housing, for a purchase price in the amount of s.17(1) plus applicable taxes. Source of funds to be the 2020 Affordable Housing Land Acquisition Budget.

REPORT SUMMARY

The purpose of this report is to request Council authorization to acquire the Subject Property for the purpose of acquiring land for the development of supportive housing as part of the Permanent Modular Supportive Housing Initiative (PMSHI) for a purchase price of s.17(1)

COUNCIL AUTHORITY/PREVIOUS DECISIONS

In November 2017, Council approved the Housing Vancouver Strategy (2017-2026) which aims to foster a diverse and vibrant city. The strategy is based on three core principles: create the “right supply” while addressing speculative demand; retain the existing rental stock; and ensure support for vulnerable residents.

In January of 2020, Council received a confidential Memorandum from Staff outlining the PMSHI, the general terms of the Memorandum of Understanding (“MOU”) with British Columbia Housing (“BCH”) and potentially Canada Mortgage and Housing Corporation (“CMHC”) as well as an outline of the type of due diligence being conducted on four city-owned sites that may be suitable for PMSHI.

In May of 2020, Council approved, in camera, the terms of the draft MOU with BCH for PMSHI to design, construct and operate approximately 300 supportive homes with 24/7 staff to provide on-site support services for individuals and families that are experiencing homelessness or at risk of homelessness on sites owned by the City of Vancouver.

Council authority is required to acquire or dispose of civic property.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The General Manager of Real Estate and Facilities Management and the Chief Executive Officer of Vancouver Affordable Housing Agency (“VAHA”) recommend approval of the foregoing.

REPORT

Background/Context

In November 2017, Council approved the Housing Vancouver Strategy (2017-2026) which aims to foster a diverse and vibrant city. The strategy is based on three core principles: create the “right supply” while addressing speculative demand; retain the existing rental stock; and ensure support for vulnerable residents.

During the summer of 2019, BCH approached the City with an opportunity for the rapid deployment of up to 300 permanent, modular supportive housing units. The concept included BCH contributing capital and operating funds, contingent on CMHC also contributing capital funds, and the City providing sites at nominal value. The complexity of the PMSHI, which includes multiple sites, multiple levels of government and rigorous community engagement, merits a MOU that defines our aligned objectives and the different roles and contributions of

each partner. Council approved the terms of the MOU in May of 2020. At that time, the terms included the delivery of approximately 300 units of supportive housing.

Since then, discussions with BC Housing have evolved and additional BCH capital and operational funding has been identified with the potential to fund additional supportive homes under this initiative. This additional funding is being made available to not only address the pre-Covid unmet need for supportive housing, but also to house those who may be made homeless during this pandemic. There is insufficient, appropriate City land to develop these additional units.

As a result, in order to capitalize on the partnership and funding opportunity, Real Estate Services, in consultation with VAHA, was tasked with identifying land acquisition opportunities. The Subject Property is found to be suitable for the development of supportive housing and has been put under contract.

The MOU with BC Housing and CMHC is anticipated to be finalized this summer and will include a side letter specifying the additional units noted above that will be deployed for PMSHI. Further, BC Housing and the City have entered into a Letter of Intent outlining that the City is purchasing the Subject Property for the specific purpose of developing supportive housing with capital and operational budget provided by BC Housing in relation to PMSHI. These supportive housing units will all be rented at shelter rates to tenants experiencing or at risk of homelessness.

Strategic Analysis

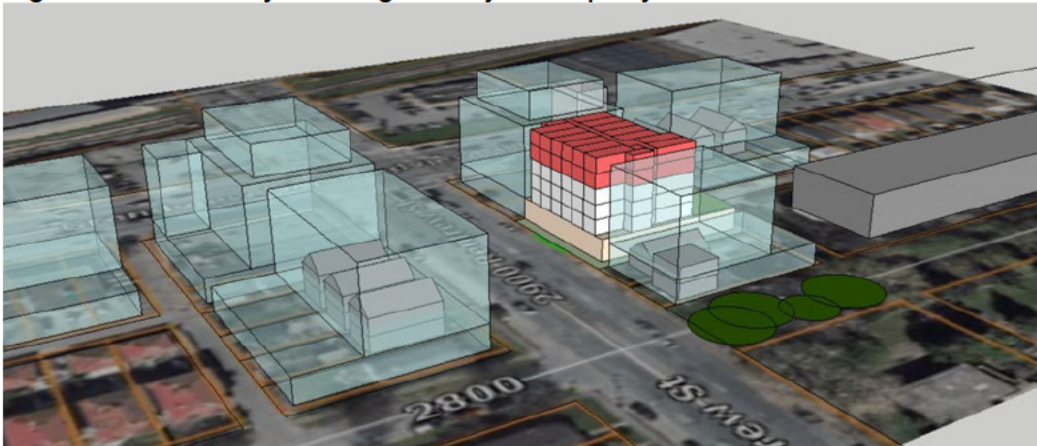
Staff have identified the Subject Property as being appropriate for the PMSHI given the size, location and proximity of the Subject Property to transit, services and amenities.

The Subject Property is currently zoned as C1 with a 2-storey existing commercial building on one parcel and two vacant sites. The Subject Property sits ~200m south of the Renfrew Skytrain Station with C1 sites to the north (gas station), 3-storey social housing to the east and RS houses to the south and east. A MIRHPP project on the north side of Renfrew Skytrain Station has been approved by Council for two 7-storey mixed used buildings along Renfrew St.

Following a rezoning process, it is estimated that a 6-storey supportive housing building with max 2.6 FSR could be developed on the Subject Property in line with the Renfrew Collingwood Community Vision.

Based on information analysed to date as part of the recommended purchase of the Subject Property, it is anticipated that the Subject Property can be developed to accommodate up to 60 studio units and commercial at grade.

Figure 1: Preliminary Massing of Subject Property



The Subject Property, combined with the other City sites being pursued as part of the PMSHI, would increase the total number of studio units within the PMSHI to between 287 – 362.

Accordingly, Staff have placed the Subject Property under a conditional Contract of Purchase and Sale.

Financial

The total purchase price for the Subject Property is s.17(1) plus applicable taxes; source of funding to be the 2020 Affordable Housing Land Acquisition budget. A third party appraisal dated May 30th, 2020 indicated a valuation range of s.17(1) to s.17(1), and the recommended purchase price is in the mid-range of the appraisal.

The funding model for development of the Subject Property is in keeping with the PMSHI MOU and envisions full capital funding from senior governments, along with ongoing operational funding to provide the supportive programs that will be an integral part of this housing. It would entail leasing the Subject Property at a nominal rate to BCH for up to 60 years (the “Lease”) and BCH will design, build, finance, operate and maintain the supportive housing project at shelter rates over the Lease term. Alternatively, discussions with funders may result in a not-for-profit operator providing this role.

For the purpose of this analysis, it is assumed that the Lease with BCH will be for 60 years, which equates to 75% of the appraised value of the land. Under this assumption, the value of the City’s land contribution is approximately s.17(1) based on the negotiated purchase price. The below market lease constitutes a grant and approval will require eight affirmative votes of Council, per Section 206(1) of the Vancouver Charter, when the ground lease is brought forward to Council for approval at a later date.

Accordingly, the City’s investment of s.17(1) to purchase the Subject Property will leverage approximately s.17(1) in capital investment and ongoing operating subsidies in supportive housing from senior governments in addition to the provincial government’s ongoing investment in housing. This funding is not otherwise available through existing senior government funding programs.

While not legally binding, the Letter of Intent between the City and BCH provides sufficient assurance to the City to pursue this acquisition given BCH's intent to develop supportive housing at the site as part of the PMSHI. As such, VAHA is seeking to recover all pre-development costs incurred to prepare the Subject Property for development through predevelopment funding and the capital funding provided by senior governments upon construction commencement. Currently, VAHA has received CMHC seed funding in the amount of s.17(1) which is applied to the pre-development activities on the City-owned sites being contributed to the PMSHI. Additional Preliminary Development Funding may also be available from BCH and CMHC for the Subject Property.

Environmental

Environmental Services completed environmental due diligence on the Subject Property to determine potential environmental liabilities associated with site contamination and the development of supportive housing as part of the PMSHI. Based on the due diligence completed, it was determined that the Subject Property has likely been contaminated by adjacent petroleum service stations. In addition, an underground storage tank may be present in the former restaurant situated on the Subject Property.

When the Subject Property is developed for the PMSHI, additional site investigation, remediation and regulatory approvals will be required. Ultimately, a Certificate of Compliance will need to be obtained from the Ministry of Environment to satisfy the Vancouver Charter requirements prior to issuance of demolition and development permits. The costs to complete the works required to address contamination have been estimated to be approximately s.17(1) and will be refined as further investigation is completed. As part of the LOI with BCH, costs associated with addressing contamination to enable site development will be reviewed by both parties prior to being expensed and will be included as project costs and funded by BCH through project funding for each site.

The due diligence assessment also found that hazardous building materials are likely to be present within the existing building on the Subject Property. Prior to demolition, an intrusive hazardous building materials assessment will need to be conducted. BCH will be responsible for managing all risks and liabilities associated with hazardous building materials as part of the demolition of the building. Costs for abatement are estimated to be approximately s.17(1) and will be the responsibility of BCH.

CONCLUSION

The Director of Real Estate Services is of the opinion that the acquisition price of s.17(1) represents fair market value for the Subject Property.

As the Recommendation outlined in this report contributes to meeting the goals of the City's Housing Vancouver Strategy (2017-2026), the General Manager of Real Estate and Facilities Management and the Chief Executive Officer of VAHA recommend approval of the acquisition.

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