



## REPORT

Report Date: September 1, 2020  
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VanRIMS No.: 08-2000-20  
Meeting Date: November 25, 2020  
[Submit comments to Council](#)

TO: Standing Committee on City Finance and Services  
FROM: General Manager of Real Estate and Facilities Management  
SUBJECT: Coal Harbour School, Childcare and Affordable Housing Project

### **RECOMMENDATION**

- A. THAT the General Manager of Real Estate and Facilities Management, in consultation with the Director of Legal Services, be authorized on behalf of the City, to take all steps necessary to deliver the Coal Harbour School, Childcare and Affordable Housing Project (the "Project") located at 480 Broughton Street, legally described as PIDs 023-656-794 & 023-656-956, Lots 12 and 13 of the Public Harbour of Burrard Inlet Plan LMP 29891 (the "Property"), including consolidating the Property into one legal parcel and preparing, negotiating, approving, executing and/or registering all necessary legal agreements, survey plans and documents including but not limited to a development management agreement (planning, design, construction) with the Board of Education of School District No. 39 (the "VBE"), a lease agreement with the VBE and a master operating agreement with all stakeholders including the Vancouver Board of Parks and Recreation (the "Park Board"), all on terms and conditions satisfactory to the General Manager of Real Estate and Facilities Management and the Director of Legal Services.
- B. THAT, subject to the approval of Recommendation A, Council approve an increase of \$73,812,000 to the Multi-Year Capital Project Budget for the Coal Harbour Project to bring the total to \$80,812,000 and the related Annual Capital Expenditure Budget will be set up in the 2021 Capital Budget. The updated funding sources for Project are as follows:
- \$31,655,000 Board of Education of School District No. 39 contribution for the school component of the Project;
  - \$3,000,000 of Provincial childcare funding from BC Childcare Memorandum of Understanding;

- \$3,153,045 childcare contribution from 349 West Georgia Street;
  - \$13,815,200 from the cash Community Amenity Contribution (CAC) from 1575-1577 West Georgia Street and 620 Cardero Street (including the \$7 million previously approved to complete the planning/scoping and detailed design of the Project);
  - \$7,830,477 of commercial linkage contributions from 1133-1155 Melville Street, 400 West Georgia Street, 425 W 6th Avenue, and 333 Seymour Street;
  - \$14,130,700 of replacement housing allocation remaining in the area-specific reserves balances for the Cedar Cottage / Welwyn, Burrard Slopes, Oakridge / Langara, and Downtown South Development Cost Levies (DCL) districts; and
  - \$7,227,578 from the cash CAC from 225 Smithe Street.
- C. THAT no legal rights or obligations will be created by Council's adoption of the above Recommendations, unless and until all required survey plans, legal agreements and documents are executed and delivered by the General Manager of Real Estate and Facilities Management.

### **REPORT SUMMARY**

The purpose of this report is to seek Council approval for the Project and approval of the total Project budget, as well as to delegate authority to the General Manager of Real Estate and Facilities Management in consultation with the Director of Legal Services to consolidate the Property into one legal parcel, and to prepare, negotiate, approve, execute and/or register all necessary survey plans, legal agreements and documents, including a development management agreement with the VBE, a lease with the VBE, a master operating agreement with all of the stakeholders of the Project including the Park Board, and any other legal agreements necessary to facilitate the completion of this Project.

The legal agreement(s) will confirm that the City will have overall responsibility for managing the design, development and construction of the Project, including the proposed school component, and that VBE will pay for its proportional cost of the full Project delivery.

The mixed use Project will advance the City's childcare and housing objectives by co-locating the new Coal Harbour Elementary School and the existing Coal Harbour Community Centre with a new childcare facility and non-market housing. Given that the City already owns the land, it would be a missed opportunity to forego delivering childcare and social housing as part of the Project and as outlined in the original CD-1; it would cost the City even more to acquire another site in the neighbourhood to deliver the same number of social housing units. Staff will report back to Council on the optimal affordability level that balances long-term project viability and the opportunity to generate surpluses that can be deployed more cost-effectively for affordable housing site acquisitions and/or enable other social housing projects within the Vancouver Affordable Housing Endowment Fund (VAHEF).

### **COUNCIL AUTHORITY/PREVIOUS DECISIONS**

On November 6, 1990, Council adopted the Coal Harbour Official Development Plan (updated in November 2002).

On November 26, 1996, Council approved zoning bylaw CD-1 (365) for 301 Jervis Street (amended December 9, 2003) which provided for the development of a co-located Community Centre (Phase 1) and School, Childcare Centre & Non-Market Housing project at the Property (Phase 2).

On February 26, 1997, the City of Vancouver issued Development Permit 402159 for the development of a community centre, park and underground parking lot (Phase 1).

On August 13, 1998, the City of Vancouver approved building permit BU410020 for completion of Phase 1.

In July 2015, Council adopted the Healthy City Strategy Action Plan for 2015-2018 and directed staff to report back on progress in 2017.

On October 29, 2014, Council approved goals, targets and indicators of the Healthy City Strategy 2014-2025 Phase I.

On March 12, 2019, Council approved the Project in principle and funding of \$7 million for the planning and design phase of the Project, as well as authority to negotiate any initial legal agreements.

### ***CITY MANAGER'S/GENERAL MANAGER'S COMMENTS***

The City Manager and General Manager of Real Estate & Facilities Management recommend approval of the foregoing.

### ***REPORT***

#### ***Background/Context***

This mixed use Project to be delivered by the City will advance both childcare and housing objectives by co-locating the new Coal Harbour Elementary School (the “School”) and the existing Coal Harbour Community Centre. A new childcare facility and non-market housing will be developed in the space unutilized by the School and existing community centre.

#### Childcare background

While childcare is primarily a Provincial responsibility, the City has supported the provision of quality child care through land use planning and development, provision of funding, and collaboration with the Province and other partners since the late 1980s. Historically, the lack of a national and provincial childcare program, and the gap in capital and operating funding for childcare at senior government levels, has resulted in a shortage of childcare spaces and affordability challenges for families. In 2018, the Province committed funding over 3 years intended to make quality child care more accessible to families throughout British Columbia.

The City and VBE have been working together over the past decade to create more spaces for before- and after-school childcare (School Age Care for 5-12 year olds) and more recently, full-time childcare for 0-4 year olds. These joint City and VBE projects have seen the co-location of childcare spaces within elementary and secondary schools, such as Lord Nelson, Sir Sanford Fleming, Lord Tennyson and David Lloyd George Elementary Schools, and Eric Hamber

Secondary School. Co-locating a spectrum of early learning, childcare and family services in public school buildings provides a 'one stop' approach for families and an easier transition to kindergarten. The model efficiently uses public buildings to support sustainability objectives, parent participation in the workforce, reduced child vulnerability, and increased school readiness for young children. Families and communities benefit from reduced commutes and increased local connections in and around local schools.

A principal difference between these past joint projects and the proposed Project for 480 Broughton Street, is that the City owns the Property, will manage the Project, and will lease back the School component to VBE (as opposed to VBE being landowner and leasing back the childcare and related components to the City). A second critical difference is that the Project will also accommodate new non-market housing on-site.

## **Housing background**

In November 2017, Council approved the Housing Vancouver Strategy (2018–2027) and Three-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 current 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 ten years, including 12,000 social, supportive and non-profit co-operative units and 20,000 purpose-built rental units. The Housing Vancouver targets for social housing focus on households earning below \$80,000 per year. Where additional contributions are available from senior governments or community partners, projects may support deeper levels of affordability. Contributions may be in the form of preferential mortgage rates and terms, low-cost patient equity, capital grants or operating subsidies or rent supplements to subsidize lower rent revenue.

The Coal Harbour Official Development Plan approved November 1990 and updated November 2002, requires just over twenty percent (21.61%) of the total number of the basic residential allowance of dwelling units be made available for affordable housing with a priority on housing for core-need households (now referred to as the Housing Income Limit or HILs rate units), and with fifty percent of the affordable units to be suitable for families with children. The affordable units are to be integrated into each residential area. The intent of this ODP is to provide a framework for the creation of a mixed-use neighbourhood which focuses on residential and public waterfront access opportunities.

## ***Strategic Analysis***

The Property on which the Project is proposed to be built is approximately 2,436 square meters (sm) in total area, located in the northeast corner of Broughton Street and West Hastings Street, immediately adjacent to the Coal Harbour Park and Coal Harbour Community Centre. With the Coal Harbour Community Centre constructed in 2000, the addition of a school, childcare and non-market housing will complete the land uses planned for this parcel since Zoning Bylaw CD-1 (365) was approved by Council in 1996. The original zoning allowed for an Elementary School (with a double height gym) comprising approximately 3,100 (sm), a childcare comprising 806 sm, as well as 40 units of non-market housing.

Given the tight project timeline associated with delivering the school component of the Project, triggered by the BC Hydro substation development needs for downtown Vancouver, staff was not able to explore opportunities to seek additional density for more affordable housing units through rezoning. Within site parameters and existing density, the proposed Project design seeks to maximize service delivery onsite through optimizing the configuration of school, child care and affordable housing, while preserving flexibility to pursue partner funding and financing to support housing delivery.

The original project design has been updated to meet the current zoning and development by-law such as flood plain requirements and similar. The original zoning contemplated a 49-space child care of full day care plus a part-day preschool program; the new enhanced childcare facility as reflected in the updated design will accommodate 65 spaces of full-day care in four programs. More housing units have also been achieved, increasing from the original five stories to six stories through the proposed Project design.

Based on the enhanced program, the total Project Budget is \$80,812,000 including \$12,652,000 for the child care component, and \$36,505,000 for the housing component, as well as school budget of \$31,655,000 funded by VBE.

The delivery of both social housing and childcare will help to achieve the targets set out in the Housing Vancouver Strategy, as well as the Healthy City Strategy goals for a Good Start, by increasing school readiness through early childhood learning and care.

There is a significant interest by the VBE to have this Project completed as soon as possible, as VBE recently entered into an agreement with BC Hydro to locate a substation near the Lord Roberts Annex Elementary School at 1100 Bidwell Street. To facilitate this BC Hydro project, the students at Lord Roberts Annex will be relocated to the completed School, to allow construction of the substation to commence. This substation is much needed replacement as it will secure electrical services for all of the downtown Vancouver. Subject to further Council approvals, expected Project completion is mid-2024, as indicated in Appendix A, and every effort will be made to complete this school as soon as possible. VBE will fund the school portion of this Project budgeted at \$31,655,000.

Sustainable strategies proposed on this site include:

- 1) Zero Emissions – the project is being designed to achieve zero emissions, including certification to Passive House standard, and to use no fossil fuels, to demonstrate achievement of zero emissions in alignment with the City's Zero Emissions Building Plan.
- 2) Reduced Embodied Carbon – the project is measuring embodied carbon from building materials and targeting 40% reduction, in alignment with big Move 5, Lower Carbon Construction, of the City's Climate Emergency Response Plan.
- 3) General Sustainability – the project is being designed to satisfy a broad range of sustainability criteria, and to achieve certification to CaGBC's LEED Gold standard.

The City is responsible for managing the overall planning, design, and development of the Project. VBE is responsible for providing oversight and quality assurance for the school component of the Project, ensuring all applicable design and construction requirements are met and timely reviews and feedback are provided to the City. A Project Management Committee, comprising two representatives from the City and two from VBE, will be maintained throughout the Project to ensure regular high level involvement of both parties.

A report recommending childcare operator appointment and lease terms for the childcare centre will be brought to Council in 2021.

## **Delivery of Social Housing**

The CD-1 By-law outlined a non-market housing component with a maximum of 40 units, and a prescribed affordability level. Within site parameters and existing density, staff have worked through the redesign to increase unit counts and optimize unit mix to enhance project viability, including consideration of partner funding and financing from senior governments.

### Unit Count & Unit Mix

While there is high demand for affordable rental housing in Vancouver in general, affordable family housing in particular, is in short supply. Families with children are key to a diverse and vibrant society and the inclusion of family housing units here is critical.

The updated plans enable 60 new homes with a large proportion of family housing. As this social housing site is co-located with an elementary school and a childcare, located next to a community centre, and is facing onto a park, the unit mix emphasizes family housing with 58% of the total units being two and three bedroom. This proportion of family units exceeds the target of 50% family units for social housing in the City's Housing Design and Technical Guidelines and leverages the co-located aspects of the project. The remaining units consist of 18 one bedroom (30%) and seven studio units (12%).

Planning, Urban Design and Sustainability staff advise that, while the proposed project is consistent with the CD-1 Bylaw and Coal Harbour ODP, a minor text amendment will be required to increase the maximum unit number with no changes to height or density. This text amendment requires Council approval, but is not expected to impact project scope or timeline.

### Affordability

The affordability target will be finalized subject to the amount of senior government grants that can be secured. The minimum target affordability for this project is to deliver 30% of the units at or below HILs while ensuring a financially sustainable project over the long term. Staff will report back to Council on the optimal affordability level that balances long-term project viability of this site and the opportunity to generate surpluses that can be deployed more cost-effectively for affordable housing site acquisitions and/or enhance affordability in other social housing projects within the VAHEF portfolio.

The following table summarizes the potential range of initial rents by unit type. The HILs rents correspond to a household income range of a maximum of \$51,500 to \$73,500 as set by BC Housing in 2019. The Low End of Market (LEM) rents correspond to the average rent for new construction (2005+) as published by CMHC. The income maximums \$74,150 for a studio and 1-bedroom unit and \$113,040 for a family sized Low End of Market (LEM) unit are based on the BC Housing Low and Moderate Income Limits for 2020.

**Table 1: Potential Initial Rental Rates by Unit Type**

	# Unit	70% HILs*	LEM**
Studio	7	\$ 901	\$ 1,641
1 Bed	18	\$ 901	\$ 1,942
2 Bed	23	\$ 1,103	\$ 2,611
3 Bed	12	\$ 1,286	\$ 2,977
	<b>60</b>		

\* BC Housing, Housing Income Limits, 2019

\*\* CMHC Average Rent for Vancouver for Newer Building 2005+ Year of Build, October 2019

### **Implications/Related Issues/Risk**

#### **Financial**

**Project Cost Estimates & Recommended Funding Sources** – The City retained Henriquez Partners Architects (HPA) as the prime consultant to lead a team of professional sub-consultants to complete the functional programming, schematic design and design development phases of the Project. HPA, working with LEC group Quantity Surveyors, generated a “Class C” Project cost estimate of \$80,812,000, including \$31,655,000 for the school component, \$12,652,000 for the childcare component, and \$36,505,000 for the housing component.

The budget for the school component, representing the proportional development cost of the Project, will be funded by the VBE. The co-location of school, child care and affordable housing enables joint planning and coordination of education and other services for families and children in Vancouver.

Recommended funding sources for the Project are summarized in the following table, which included the original \$7 million of planning and design funding previously approved by Council.

<b>VBE funding contribution</b> to the school component	\$ 31,655,000	
<b>City of Vancouver funding contribution (\$49.2M):</b>		
Provincial child care contribution under BC Childcare MOU	\$ 3,000,000	Note 1
Childcare contribution from 349 West Georgia St	\$ 3,153,045	
Cash CAC from 1575-1577 W Georgia St & 620 Cardero St allocated to childcare & affordable housing in Coal Harbour	\$ 13,815,200	Note 2, 3
Commercial linkage contributions allocated to childcare and/or affordable housing in and around the Metro Core: - 1133-1155 Melville (\$5,586,255) - 400 West Georgia St. (\$1,043,680) - 425 W 6th Ave (\$990,977) - 333 Seymour St. (\$209,565)	\$ 7,830,477	Note 3
Remaining balances from area specific DCL reserves allocated to replacement housing: - Cedar Cottage/Welwyn (\$66,990) - Burrard Slopes (\$505,217) - Oakridge/Langara (\$1,752,265) - Triangle West (\$2,515,784) - Downtown South (\$9,288,444)	\$ 14,130,700	Note 3

Cash CAC from 225 Smite St allocated to affordable housing in and around Downtown South	\$ 7,227,578	Note 3
<b>Total</b>	<b>\$ 80,812,000</b>	

*Note 1: In July 2019, the City entered a memorandum of understanding (“MOU”) with the Provincial Ministry of Child and Family Development (MCFD). The MOU outlines a financial contribution of \$33 million from the Province to the City, with the goal of delivering or securing up to 1,300 new public or non-profit group childcare spaces, expanding on the City’s commitment of 1,000 spaces as outlined in the 2019-2022 Capital Plan.*

*Note 2: Includes \$7M for the planning and design phase of the Project previously approved by Council.*

*Note 3: Proposed funding is intended to bridge-finance the construction of the housing component of the Project, and will be repaid by take-out financing and any senior government grants that can be secured.*

**Social Housing Cost Estimates & Funding Strategy** – Given that the City already owns the land and is not fully utilized by the school and childcare spaces, it would be a missed opportunity to forego delivering social housing units as part of the Project.

The estimated construction cost of the 60 social housing units is \$36.5 million, or \$0.6 million per unit on average. Including the imputed land value estimated at \$25.4 million, the total housing development cost is \$61.9 million, or \$1 million per unit on average. The following table summarizes the development cost (imputed land value and construction cost) for each type of unit, ranging from \$0.5 million for a studio to \$1.4 million for a 3-bedroom unit.

Unit Mix	Land		Construction		Total Cost	
	Total	Per Unit	Total	Per Unit	Total	Per Unit
Studio	\$ 1,561,604	\$ 223,086.23	\$ 2,241,918	\$ 320,274	\$ 3,803,522	\$ 543,360
1 brm	\$ 5,818,140	\$ 323,230	\$ 8,352,821	\$ 464,046	\$ 14,170,961	\$ 787,276
2 brm	\$ 10,956,634	\$ 476,375	\$ 15,729,907	\$ 683,909	\$ 26,686,541	\$ 1,160,284
3 brm	\$ 7,087,623	\$ 590,635	\$ 10,175,354	\$ 847,946	\$ 17,262,977	\$ 1,438,581
<b>Total</b>	<b>\$ 25,424,000</b>	<b>\$ 423,733</b>	<b>\$ 36,500,000</b>	<b>\$ 608,333</b>	<b>\$ 61,924,000</b>	<b>\$ 1,032,067</b>

The estimated construction costs reflect the aggressive energy efficiency standards of the school and childcare spaces that are further incorporated into the design of the housing space (targeting Passive House certification and Net Zero energy). These strategies will yield significant operating savings for the tenants. Even with the higher building standard and the associated costs, it is still prudent to integrate housing into the Project as it would cost the City even more to acquire another site in the neighbourhood to deliver the same number of units of housing.

The typical funding model for social housing projects entails leasing City land to housing partners at below market rent for 60 years or longer. Partners are responsible for the design, construction, financing, operation and maintenance of the housing project at prescribed affordability levels over the lease term. Given the complex multi-use and multi-party nature of this co-located Project, staff are evaluating viable operating/funding models to optimize social return and project viability over the long term, and to leverage senior government funding and low cost take-out financing.



As the City is responsible for delivering the overall Project to meet VBE's and BC Hydro's tight timeline, it is required to bridge-finance the entire construction cost upfront while continuing to pursue senior government grants and low-cost take-out financing. To-date, pre-development funding of \$150,000 has been secured from CMHC. Given the proposed affordability target (minimum 30% of units at HILs rate), the ambitious energy performance and the sustainability features of this Project, additional grant opportunities with CMHC and Federation of Canadian Municipalities through their Green Municipal Fund are being actively pursued. Should these funding applications be successful, such grants will be used to repay the City's contributions towards the housing component of the Project.

Consistent with Council policies, 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. Preliminary analysis indicates that the project would be able to sustainably deliver 30% of units at HILs, and the remaining units at LEM to market rates without senior government grants. Any further enhancement of affordability would require additional equity contributions. All operating surplus from the housing component will be deployed to preserve and grow the City's affordable housing within VAHEF portfolio.

As part of VAHEF portfolio strategy, staff will report back on the optimal affordability level that balances long-term project viability of this site and the opportunity to generate surpluses that can be deployed more cost-effectively for affordable housing site acquisitions and/or enable other social housing projects within VAHEF. Final affordability, business model and partnership structure will be reported to Council for approval in a subsequent report.

### ***Environmental***

The Property was investigated and remediated in the 1980s and 1990s during the area-wide conversion of Coal Harbour from industrial to residential developments. A Certificate of Compliance was issued for the Property in 1998 indicating that the site was remediated to residential land use standards. In 2017 and 2020, additional site investigations were completed on the Property due to regulatory changes that occurred in 2017 and to support overall Project planning. These investigations found an area now considered to be contaminated as result of the updated standards. The soil petroleum hydrocarbon contamination is present on the Property within the footprint of the future bike parkade and will be removed during bulk excavation of the site by the contractor. No further environmental concerns are anticipated although unexpected contamination could be encountered. Environmental costs associated with the removal of the soil contamination are included within the overall Project budget.

### ***Park Designation***

Coal Harbour Park and Coal Harbour Community Centre have been managed and operated by the Park Board as a public park and facility since they were constructed nearly 20 years ago; however they have never been formally designated as permanent public park under the *Vancouver Charter*. Park Board has requested that this jurisdiction be formalized as part of the Project, and staff from both the City and Park Board are currently exploring mechanisms to satisfy this Park Board objective. At this time, the intent is that once the Project is complete and the area to be designated as public park can be clearly delineated on a plan, staff would seek a resolution or by-law of Council declaring such area to be permanent public park, pursuant to section 488(5)(a) of the *Vancouver Charter*.

***Legal***

Should Council approve the Recommendations set out in this report, the Property will be consolidated by filing the requisite survey plan (prepared by the City's Land Survey branch) at the Land Title Office, and various legal agreements will need to be negotiated and executed, including a development management agreement, a lease with the VBE, and a master operating agreement. The latter will govern the ongoing complex legal relationship between the City and each of its stakeholders, including the Park Board, and will clearly delineate roles and responsibilities for ongoing operation, repair and maintenance of the Project components and provide a mechanism for dispute resolution. Staff will also undertake the appropriate engagement and permitting for the Project, followed by a competitive tendering process and construction. Authority to enter into leases with the childcare operator and the housing operator will be sought when staff return to Council with recommendations for operator appointments.

***CONCLUSION***

School-childcare projects such as the one proposed for Coal Harbour School offer the City an efficient means of sharing project costs and co-locating complementary land uses and services on a single site. The proposed Project is unique in that it will also accommodate non-market housing units on-site, a land-use previously approved for this location under the zoning bylaw and one which is central to Council's mandate of improving increasing number of homes and housing affordability.

This co-located project includes a new elementary school, a new 65-space childcare and a new 60-unit social housing development, and combined with the existing Coal Harbour Community Centre and Coal Harbour Park, represents final delivery of the vision approved 25 years ago. The strong working relationship between the VBE, Park Board, City and future non-profit operators, combined with the contribution from other levels of government, is a great example of optimizing public land and partnership resources for enhanced and much needed community services for years to come.

The General Manager of Real Estate and Facilities Management and the City Manager recommend Council's approval of the foregoing, such that the work can continue in order to expedite timely delivery of this Project.

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## **Planned Schedule**

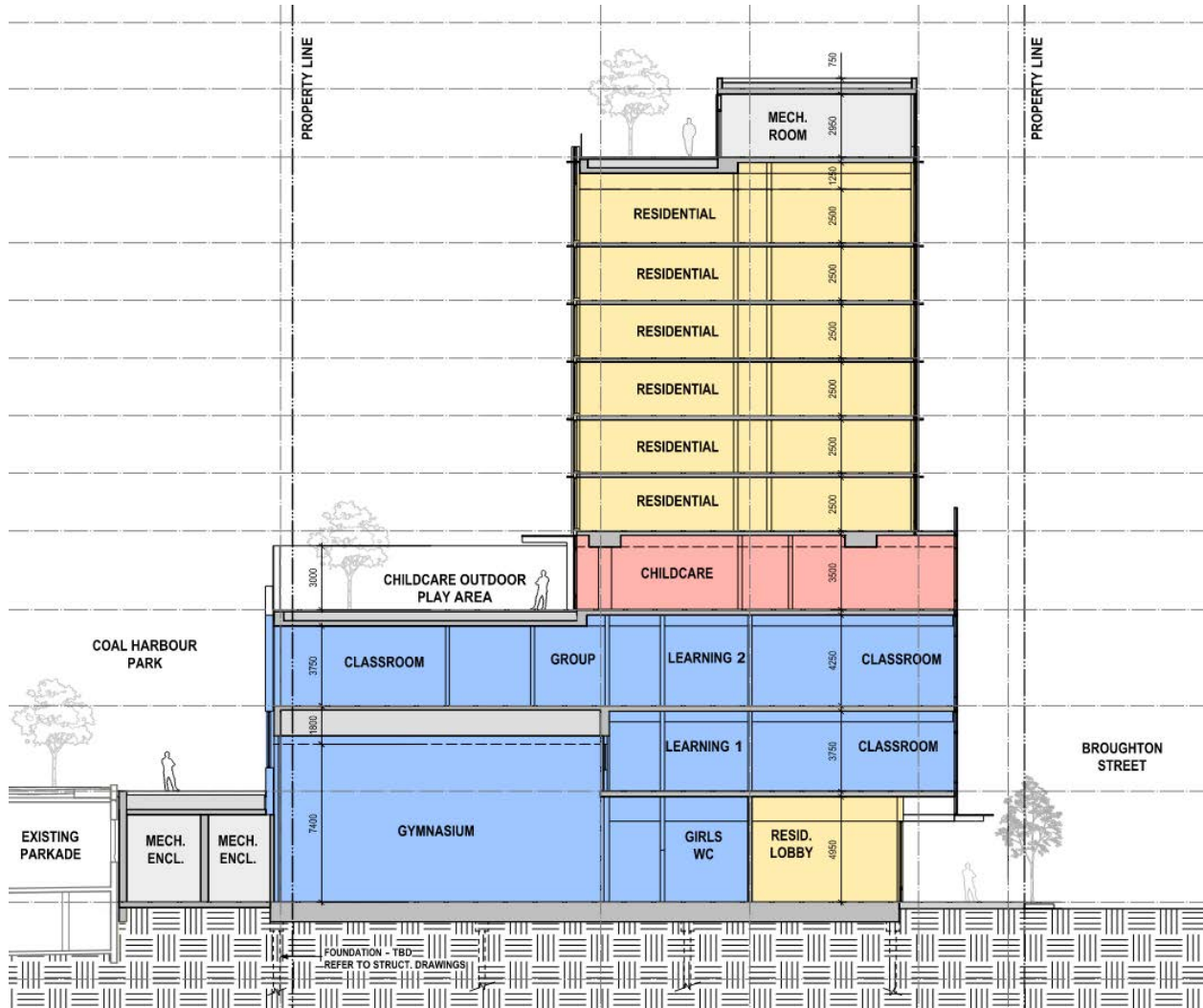
Oct 2020	DP submission
Nov 2020	Open House
Nov/Dec 2020	Urban Design Panel presentation
Early 2021	Non-Profit Operator Appointment
Jan 2021	COV Conditions for Approval issued (based on 12 week schedule)
Dec 2020 – Jun 2021	Contract document preparation
Early Jun 2021	DP issued
Jun – Nov 2021	Tender period & award
Oct 2021	Building Permit issued
Nov 2021 – Jun 2024	Construction period



Site Plan



East Elevation; Coal Harbour Park in the foreground



Section showing the organization of uses.