



REPORT

Report Date: October 21, 2021
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Meeting Date: November 2, 2021
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TO: Vancouver City Council

FROM: General Manager of Arts, Culture, and Community Services

SUBJECT: 545 East Cordova – (RHI 2) Grant Agreement between The City and Lookout Housing and Health Society

RECOMMENDATION

- A. THAT Council approve a grant of up to \$8.0 million (the “Grant”) to Lookout Housing and Health Society (“Lookout Society”) (a charity registered with the Canada Revenue Agency) to assist with the design and development of at least 20 studio units of social/supportive affordable housing at 545 East Cordova St., legally described as PID: 015-586-154. Lot 24, Block 53, District Lot 196, Plan, subject to all the terms and conditions in this report and the execution of a legal agreement between the City and Lookout Society (the “Grant Agreement”) setting out the legal terms and conditions of the Grant.
- B. THAT Council approve a Multi-Year Capital Project Budget and Annual Capital Expenditure Budget to support recommendation A in alignment with the Grant Agreement.
- C. THAT the Grant Agreement be on the terms generally outlined in this report, consistent with the CMHC’s Rapid Housing Initiative program requirements, and otherwise satisfactory to the General Manager of Arts, Culture and Community Services (“GM of ACCS”), Director of Finance, and City Solicitor.
- D. THAT Council authorize the GM of ACCS, to execute the Grant Agreement on behalf of the City.
- E. THAT no legal rights or obligations are created by the approval of Recommendation A through D above unless and until the Grant Agreement is executed and delivered by the City and Lookout Society and confirmation of

funding / financing sources for the Development have been secured to the satisfaction of the Director of Finance and City Solicitor.

- F. THAT Council authorize the City Solicitor to execute any additional or supplemental legal agreements to those referred to above as are reasonably necessary to give effect to the transactions contemplated in recommendations above.

Approval of Recommendation A constitutes a grant and therefore requires affirmative vote of at least 2/3 of all Council members pursuant to Section 206(1) of the *Vancouver Charter*. The source of funding for the \$8.0 million grant is CMHC's Rapid Housing Initiative ("RHI") program committed under the RHI's City Stream to the City of Vancouver.

REPORT SUMMARY

This report recommends providing a capital grant to Lookout Society of up to \$8,000,000 for the design and development of at least 20 studio units of social housing with support services at 545 East Cordova St. The Federal government's Rapid Housing Initiative – Round 2 (RHI), awarded the City of Vancouver, through the program's Major Cities Stream, funding in 2021 to develop the proposed affordable housing project that meets the urgent housing needs of marginalized individuals. The opportunity to partner with the Lookout Society on their shovel ready but unfunded project, enables the City of Vancouver to rapidly invest \$8 million in local affordable housing creation while leveraging non-profit project pre-development work to mobilize time sensitive senior government funding. The proposed development will help advance the City's strategy for shelter rate, social housing with support services.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

Emergency Covid-19 Relief for Unsheltered Vancouver Residents - On October 8, 2020 Council directed staff to undertake a number of actions to address the need for housing for unsheltered residents, including but not limited to: allocating 30 million for land acquisition for affordable housing, opening pandemic shelters for individuals experiencing homelessness, and securing senior government funding partnerships to rapidly deliver need homes and services.

Housing Vancouver Strategy (2018–2027) – In November 2017, Council approved the strategy to shift the supply of new homes toward the right supply. 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 and coordinating action with partners to deliver housing for the lowest income households (including a target of 12,000 social, supportive, and co-operative homes to meet the needs of lower income residents).

Capital Contributions for Social Housing with Support Services - Council has approved previous Grants for capital contributions to support and partner with CMHC, BC Housing and Non-profit partners in the provision of social and supportive housing. Recent past contributions of City grants have supported the delivery of non-market housing units such as 288 E Hastings, 211 Gore Street, 3595 Kingsway, 1060 Howe Street and many others.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The capital grant being recommended for approval in this report represents \$8 million of the RHI Investment Plan submitted by the City and approved by CMHC for funding. The grant will leverage the substantial investment of multiple partners to rapidly deliver the Lookout Society-led and operated, deeply affordable social housing project with support services at 545 E Cordova; and therefore, the City Manager recommends approval of the foregoing.

REPORT

Background

545 E Cordova

The property located at 545 East Cordova is currently a vacant, infill site in the DTES owned by the Lookout Society. In fall of 2018, the Lookout Society applied for a development permit (“DP”) to create 20 studio units of social housing in a 6 storey building. Public notification and consultation was completed, the Director of Planning approved the proposal, and Lookout received a prior-to letter setting out the conditions which, if satisfied would allow the DP application to be approved. The 545 East Cordova project was not successful in getting funded in the over-prescribed first round of RHI Project Stream funding, and the Lookout Society continued to seek funding and partners for their shovel-ready project.

The Lookout Society – Partner and Operator

Lookout Society is a well-established non-profit and charitable society, registered under the Societies Act (BC). Lookout provides a diversity of affordable housing and a range of support services to adults with low or no income who have few, if any, housing or support options. Lookout Society started in the 1970s and currently provide services in 14 municipalities across the Province. Lookout will own, develop and operate the social housing and will be required under the Grant Agreement, as secured by a Section 219 covenant, to meet the RHI requirements for 20 years and the City requirements for 60 years.

Federal Government - Rapid Housing Initiative Funding

The Federal government’s Rapid Housing Initiative (RHI) created in 2020, aims to rapidly create 3000 units of new affordable rental housing, across the country, in response to the urgent housing needs of vulnerable and marginalized individuals. The RHI aims to support communities and individuals in critical housing need: women and children fleeing domestic violence, seniors, young adults, Indigenous peoples, people with disabilities, people dealing with mental health and addiction issues, veterans, LGBTQ2+, racialized groups, Black Canadians, recent immigrants or refugees, and homeless people or those at risk of homelessness.

RHI funding can cover the cost of acquisition of land and construction of new housing; acquisition of land and existing buildings for the purpose of conversion to affordable housing; and acquisition of land and rehabilitation of derelict housing. The restrictive funding requirements have meant that the best option to qualify for RHI funding is the purchase of ‘shovel ready’ projects and purchase and conversion of commercial hotels for housing.

Under the 2020 program, the City of Vancouver was awarded \$51.5 million for the creation of a minimum of 106 units of housing, and the funding was utilized to renovate hotels located at 205 and 2075 Kingsway for 133 units of supportive housing. Residents have begun moving into the property located at 205 Kingsway.

In 2021, the Federal government announced an additional \$1.5B in funding towards RHI. As part of the Major Cities Stream, the City has been allocated funding to create new permanent affordable homes, and that the City ensure housing is available within 12 months of the completed agreement and remain affordable for a minimum of 20 years.

To receive the allocated RHI funding, the City was required to submit an investment plan to CMHC (“Investment Plan”) outlining the projects that will deliver on the outcomes of the program determined by CMHC as part of the Major Cities Stream funding. The proposed Investment Plan included multiple projects in the Major City Stream to utilize the entire allocation, including the project at 545 E Cordova. The proposed Investment Plan has been approved by CMHC.

Provincial Government – Supportive Housing Operating Funding

BC Housing has provided both the City and Lookout Society with a letter confirming their intent to fund ongoing operational subsidy to provide shelter rate housing with support services for a minimum of 20 years. BC Housing and Lookout Society will enter into an Operating Agreement to this effect, and the completion of this formal agreement in due course (or other form of commitment acceptable to the GM of ACCS, Director of Finance, and City Solicitor) will be made a condition of the Grant Agreement.

Strategic Analysis

Vancouver’s poorest citizens are disproportionately impacted by the continuing housing affordability crisis. A low vacancy rate coupled with a lack of shelter rate, affordable housing for people with very low incomes are key drivers of homelessness and housing instability. Despite these challenges, Vancouver continues to be a leader in making efforts to meet the needs of very low-income residents who are typically excluded and under-served by existing market and mainstream housing systems. Stigma and discrimination, the lasting and on-going impacts of colonialism on Indigenous peoples, add additional barriers to housing for low-income residents.

The City is committed to connecting individuals experiencing homelessness or housing instability, with housing, financial and employment assistance, and support services, and seeks to continuously improve service delivery to all citizens through the effective and efficient use of its limited resources. The key to addressing the issue is through strengthened collaborations with senior government, non-profit and other community partners and leveraging increased investment from senior levels of government.

Supportive Housing Model & Affordability

The Lookout Society will operate 545 East Cordova as deeply affordable social housing with in-reach support services. Lookout’s existing shelters and supportive housing in the DTES may act as a referral for tenants who want to live at the Cordova housing project, as well as utilizing BC Housing’s coordinated access and assessment table. Lookout intends to connect future residents, who require additional supports, with their tenant support workers, nurses and health

supports, as well as utilizing existing nearby offsite Lookout services. The project will provide much needed homes for low-income residents who are at risk of homelessness and require shelter rate homes, with a focus on individuals who identify as Indigenous, seniors and women.

The Grant agreement will require that for the first 20 years, all 20 social housing units are rented at the shelter rate to persons eligible for either Income Assistance or a combination of Old Age Security pension and the Guaranteed Income Supplement. BC Housing's commitment to a 20 year operating subsidy secures this initial affordability. After 20 years, and for the remaining 40 years of the agreement with BC Housing, Lookout Society will be required to meet the minimum target affordability requirements as outlined in the DTES Local Area Plan (1/3 Shelter component of Income Assistance, 1/3 Housing Income Limits, 1/3 Low End of Market). The Grant Agreement will also ensure tenants are not displaced from their homes after the first 20 year period by requiring that Lookout only move to a mixed affordability model through attrition, if ongoing operating subsidies from BC Housing are not extended beyond the initial 20 year period.

Recommendation

Staff recommend that the City provide the Grant, subject to the terms of the Grant Agreement, to the Lookout Society to enable the development of the social housing units and secure the aforementioned affordability, as the project strongly aligns with the City's supportive and social housing objectives and the RHI program requirements, as described below:

- Creates purpose built, self-contained new social housing that will have a longer useful lifecycle.
- Delivers social housing with deep affordability and access to case planning through Lookouts tenant support workers, nurses and other health supports, and employment services and other social supports.
- Construction of the project will utilize non-City land that has sat idle for many years.
- Delivers new homes at a cost effective per unit construction cost.
- Project is at the DP issuance stage and ready for building permit and construction with a schedule to complete within the required RHI timeframe.
- Well established housing society with a design and builder team committed to successfully build and operate within the time frame of 12 months.
- Lookout Society is providing the land and the development management services.
- Support the growth of the non-profit housing sector rather than acquire their assets.
- Lookout Society is expanding its housing portfolio in Vancouver and is currently redeveloping 524-528 Powell Street, which is across the lane, to build 114 affordable homes, office and community programming space. Enabling the development of 545 Cordova Street helps build their capacity, achieve economies of scale and provide better services for the residents.

Grant Terms and Conditions

The City will enter into a RHI Agreement with CMHC and the City will also enter into a Grant Agreement with Lookout Society to develop a minimum of 20 units of social housing at 545 E Cordova as per the RHI and City's requirements. The Grant Agreement terms (including the 60 year affordability requirements) will be secured via a Section 219 covenant registered on the title of Lookout Society's land at 545 E Cordova.

Key Grant Terms and Conditions

The City and Lookout have entered into a non-legally binding Letter of Intent to finalize a Grant Agreement. The key terms to the Grant Agreement are as follows:

- The execution and delivery of the Grant Agreement by the Parties;
- Grant Agreement subject to RHI Agreement between CMHC and City being signed and City receiving funds from CMHC sufficient to make the Grant
- Lookout to provide RHI and City's affordability requirements for first 20 years, following City's minimum affordability requirements for remaining 40 of the 60 year term of the Grant Agreement
- The registration of a Section 219 covenant securing Lookout's obligations under the Grant Agreement registered on title;
- Lookout Society will meet the City's tenant relocation requirements to ensure no tenants are displaced as a result of changes to the affordability profile between years 20 and 21, and Lookout anticipates using attrition to move to a mixed affordability model if ongoing operating subsidies from BC Housing are not extended beyond the initial 20 year period;
- The City contributes up to \$8.0 million from the RHI funding received by the City to Lookout Society for the design and construction of the proposed project;
- Lookout Society as owner of the land encumbers it with a Section 219 covenant ensuring it is used in compliance with the Grant Agreement for next 60 years (regardless of sale or transfer);
- Lookout meets all of the obligations under the RHI agreement between the City and CMHC;
- Lookout Society will obtain all licences, permits, and approvals required to complete the building;
- Lookout Society will negotiate and settle all contracts with contractors, consultants, sub-consultants, sub-contractors, suppliers, providers, labourers as necessary for the design and construction of the project;
- Lookout Society will design and construct the project in accordance with the current DP application, and upon issuance, the DP, building permit, and all other applicable statutes, laws, bylaws, and ordinances;
- Lookout Society will only use the Grant for paying for costs directly associated with the design and construction of the Project;

- The City will disburse the Grant money in advance based on quarterly progress draws after the execution of the Grant Agreement and RHI Agreement between the City and CMHC;
- Lookout Society will ensure the operation of the building is feasible and sustainable and that the operating budget and operating agreement with BC Housing is negotiated in consultation with the City;
- Lookout will establish and maintain a capital asset plan and reserve for ongoing asset management of the building;
- Lookout Society will meet the City's requirements for construction and operation reporting;
- Lookout Society possesses the necessary skills, knowledge, qualifications, assets, and experience to complete the project to the reasonable satisfaction of the City;
- Lookout Society will complete the design and construction of the project within 12 months from the time of the execution of the Grant Agreement;
- Lookout Society's status as a registered charity as well as its non-profit corporate constitution will be maintained through-out, and it will not engage in any activities which would or might be seen as disreputable at any time during the term of the Grant Agreement
- Lookout will participate in BC Housings Coordinated Access and Assessment program in tenanting the building.

Estimated Project Schedule

The following are some major milestones for the proposed development:

- RHI Investment Plan submitted to CMHC, August 31, 2021
- CMHC's approval of the plan in October 2021 and execution of the RHI Agreement in November 2021
- The City of Vancouver's Grant Agreement with Lookout Society, November 2021
- Execution of the contracts between Lookout Society and design consultants and GC, November 2021
- Development Permit and Building Permit approval, January 2022
- The City of Vancouver's Housing Agreement execution with Lookout Society, January 2022
- BC Housing's Final Project Approval and execution of the Operating Agreement, January 2022
- Construction start, February/March 2022
- Substantial Completion, end of November 2022
- Occupancy, December 2022

Implications/Related Issues/Risk

Financial

RHI Investment Plan

The table below summarizes the recommended Investment Plan related to the Grant Agreement and the financial implications to the City, CMHC and BC Housing aligned with the grant contribution plan, as well as the tenanting and operating models described in the Strategic Analysis section above:

RHI City's Stream project	Total Grant Contribution Cost			Total Operating Cost		
	COV	CMHC	Total	COV	CMHC	BC Housing ¹
545 East Cordova (20 units)	\$0M	\$8M ²	\$8M	\$0M	\$0M	Subject to operating agreement with BC Housing

1: BC Housing has provided a commitment letter to the City and Lookout Society to provide ongoing operating and capital maintenance subsidies required to deliver social/supportive housing at this site for 20 years as required by the RHI program.

2: The Grant contribution is for the design and construction only.

3: City stream funding contribution is for construction only. Lookout will retain ownership of the building and will be responsible for all operational costs and capital maintenance.

Development Funding Summary - Estimate Costs	
	Estimated Costs
Total hard and soft costs	\$6.6 M
Construction Contingency	\$0.6M
Design and Escalation Contingencies	\$0.8 M
Total	\$8.0 M
Estimated Development Costs (\$M)	
Land Equity (Lookout Society) - Assessed Value	\$0.7 M
Development Costs	\$8.0 M
Total	\$8.7 M
Anticipated Sources of Funding	
Land Equity (Lookout Society) - Assessed Value	\$0.7 M
City of Vancouver (through CMHC RHI allocation)	\$8.0 M
Total	\$8.7 M

The capital funding source is the funding approved as part of CMHC's RHI program allocated to the City as part of the RHI's Major Cities Stream in 2021. The approved funding will be included in the relevant Multi-Year Capital Project Budget and Annual Capital Expenditure Budget to support recommendation A. The Grant of \$8.0M to Lookout Society will support the design and construction of the proposed development.

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

Environmental

Lookout Society, as owner and developer of the lands, are solely responsible for all environmental matters and associated costs required to redevelop the property.

Legal

The Grant Agreement and all related legal agreements will be settled and approved by the City Solicitor.

CONCLUSION

This report recommends that Council approve a Grant of up to \$8,000,000 to Lookout Society for the design and development of the project at 545 E Cordova, subject to the conditions described in the report. The City's grant contribution will enable the rapid deployment of RHI funding and the expedited delivery and security of 20 units of deeply affordable social housing with support.

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