

IN-CAMERA COUNCIL MEETING

JULY 5, 2022

DECISION RELEASE

Approval of 1321 East 1st Avenue Lease Terms – Mixed-use Social Housing & Community Health Development

- A. THAT Council approve the ground lease (the “Ground Lease”) between the City of Vancouver as lessor (the “City”) and the Provincial Rental Housing Corporation as lessee (“BC Housing”), providing for the construction and on-going operation of a mixed-use community health and social housing project located at 1321 East 1st Avenue, legally described as: PID 031-519-334, Lot 1, Block 60, District Lot 264A, Group 1, New Westminster District, Plan EPP110393 (the “Lands”, as shown in Appendix A of the Report dated July 5, 2022, entitled “Approval of 1321 East 1st Avenue Lease Terms – Mixed-use Social Housing & Community Health Development”), which Ground Lease will provide for:

Use: Construction and operation of a 10 storey social housing and community health project in accordance with Development Permit DP-2019-00287, specifically:

- i) Community Health Services & Adult Transitional Services measuring ~54,000sf, including 51 inpatient withdrawal management units and 20 transitional units (the “Community Health Component”);
- ii) Social Housing measuring ~83,000sf, including 90 units (the “Social Housing Component”); and
- iii) Social Enterprise Retail Space measuring ~3,100sf (the “Social Enterprise Component”)

(the “Development”)

Term: A Term of ninety-nine (99) years commencing on the date of issuance of the occupancy permit for the social housing component;

Rent: Basic Rent of \$10 being payable the date the Ground Lease is registered at the Lower Mainland Title Office (the “Lease Commencement Date”) plus any property taxes and/or rent in lieu of taxes applicable throughout the term of the Ground Lease;

Subleases: i) BC Housing shall grant the City an option to sublease the Social Enterprise Component (the “Social Enterprise Sublease”) for a term of 99 years expiring the day before

the Term-expiry of the Ground Lease, at a nominal pre-paid Basic Rent of \$10.00 plus its proportionate share of property taxes and/or rent in lieu of taxes throughout the term of the Social Enterprise Sublease, exercisable by the City the earlier of: the date notice is given by the City to BC Housing of its intent to sublease, or the date of issuance of the first occupancy permit for the Development;

ii) BC Housing shall grant Vancouver Coastal Health (“VCH”) an option to sublease the Community Health Component (the “Community Health Sublease”) for a term of 20 years with one 5-year renewal provision at a Basic Rent equivalent to the balance of construction costs for the Community Health Component (the “Balance of Capital Costs”), repayable by VCH to BCH in accordance with the contribution agreement between the two parties (the “Contribution Agreement”). The Community Health Sublease is exercisable by VCH the earlier of: the date notice is given by VCH to BC Housing of its intent to sublease, or the date of issuance of the first occupancy permit for the Development;

Other terms
& conditions

i) Delivery of Social Enterprise Component - BC Housing will design and build the Social Enterprise Component, consistent with the City’s design specifications and technical guidelines and to the City’s satisfaction. The City shall reimburse BC Housing for the Social Enterprise Component construction costs and will reserve the right to not proceed with construction, at the City’s sole discretion, if such costs exceed [s.17\(1\)](#) ;

ii) Social Housing Component Operation – BC Housing may engage a third-party operator (the “Operator”) to operate, tenant and manage the Social Housing Component on behalf of BC Housing in accordance with the operating agreement held between the two parties and the terms of the Ground Lease. The proposed Operator for the Social Housing Component is S.U.C.C.E.S.S.;

iii) Affordability Requirements – BC Housing shall ensure that not less than 30% of the residential units in the Social Housing Component (the “HILS Units”) shall be occupied by tenants whose income is no more than the Housing Income Limit (“HILS”) for the applicable unit type, as published by the British Columbia Housing Management Commission and otherwise that the Social Housing Component be rented in accordance with the Operator Agreement for the site;

iv) Proof of Income – BC Housing shall ensure income testing occurs at the time of initial occupancy for all residential units in the Social Housing Component, and thereafter on an annual basis for the HILS Units.

v) Reporting Requirements – BC Housing shall provide annual reporting to the Lessor on rent & affordability statistics, occupancy expenses & statistics, operating surplus details and audited financial statements.

vi) Capital Asset Planning – BC Housing is required to manage and share with the Lessor a Capital Asset Plan and Capital Asset Fund that will set out the maintenance, repair and replacement practices and capital maintenance funding for the Building. BC Housing and the City will collaborate on a Long Term Asset Plan during the 15 year period prior to expiry of the Term.

vii) Operating Surplus – Operating Surpluses generated by the Social Housing Component shall be used in accordance with BC Housing’s Operator Agreement for the Social Housing Component to improve unit affordability within the project. For any year in which an Operator Agreement is not in effect, the Operating Surplus shall first be used to ensure the Capital Fund is adequately funded and secondly, upon mutual agreement of the Lessee and Lessor, to increase the affordability or net number of HILS Units, and/or to distribute the Operating Surplus equally between the Lessee and Lessor to create or acquire net new social housing within Vancouver.

- B. THAT Council authorize the Director of Real Estate Services to execute the Ground Lease on the terms and conditions noted in the Report dated July 5, 2022, entitled “Approval of 1321 East 1st Avenue Lease Terms – Mixed-use Social Housing & Community Health Development”, and on any other terms and conditions that the General Manager of Real Estate & Facilities Management, the General Manager of Arts, Culture & Community Services and the Director of Legal Services deem necessary, noting that no legal rights or obligations will arise or be created between BC Housing and the City unless and until BC Housing and the City execute and deliver the Ground Lease.

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