



COUNCIL REPORT

Report Date: June 19, 2023
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Meeting Date: July 11, 2023
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TO: Vancouver City Council

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

SUBJECT: 545 East Cordova Street – (RHI 2) Amendment to the Grant Agreement Between City of Vancouver and Lookout Housing and Health Society

Recommendations

- A. THAT Council approve an additional grant of up to \$2,400,000 (the “Grant”) to Lookout Housing and Health Society (“Lookout Society”) (a charity registered with the Canada Revenue Agency) to assist with the design and construction of 20 studio units of social housing at 545 East Cordova St. (the “Development”), legally described as PID: 015-586-154. Lot 24, Block 53, District Lot 196, Plan (the “Project”), subject to all the terms and conditions in this report and the execution of a legal agreement between the City and Lookout Society setting out the legal terms and conditions of the Grant. The source of funding for the additional grant is CMHC’s Rapid Housing Initiative (“RHI”) program committed under the RHI’s City Stream to the City of Vancouver.
- B. THAT the amendment to 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 City’s General Manager of Arts, Culture and Community Services (“ACCS”), Director of Finance, and Director of Legal Services.
- C. THAT Council delegate its authority to the General Manager of ACCS to execute an agreement amending the existing grant agreement between the City and Lookout Society, which will increase the grant amount by up to an additional \$2,400,000.
- D. THAT no legal rights or obligations are created by the approval of Recommendation A through C above unless and until the amended 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 City’s Director of Finance and Director of Legal Services.

- E. THAT Council authorize the General Manager of ACCS to on behalf of the City execute any additional or supplemental legal agreements to those referred to above as are reasonably necessary to give effect to the transactions contemplated in the recommendations above.

Approval of Recommendations A through C constitutes a grant and therefore requires the affirmative vote of at least 2/3 of Council pursuant to Section 206(1) of the Vancouver Charter.

Purpose and Executive Summary

This report recommends increasing the existing capital grant to Lookout Society originally provided in November 2021 for the Project. Since November 2021, the Project experienced unanticipated costs in required re-design, form of construction and escalation. The original grant was \$8,000,000 and the recommended increase of up to \$2,400,000 brings the new grant total to \$10,400,000 to fully fund the cost of design and construction of the Project including 20 studio units of social housing with support services. While Lookout Society is responsible for funding any increase in development costs according to the Grant Agreement, the City has delivered the other RHI2 funded project under budget and CMHC has approved re-allocation of that funding to the 545 East Cordova project to pay for the project cost escalation. Any unused RHI 2 funding must be returned to CMHC.

In November 2021 the City was awarded funding through the Major Cities Stream of the Federal government's Rapid Housing Initiative Round 2 (RHI). Council utilized some of that RHI funding to develop the Project that meets the urgent housing needs of marginalized individuals. The opportunity to partner with the Lookout Society on their unfunded project, enabled the City of Vancouver to rapidly invest in local social housing creation while leveraging non-profit's pre-development work to mobilize time sensitive senior government funding. The development will help advance the City's strategy for shelter rate, social housing with support services.

Council Authority/Previous Decisions

545 East Cordova Grant Agreement (RTS14731) – In November 2021 Council awarded the Lookout Society an \$8,000,000 grant to develop 20 studio units of social housing with in reach support services at 545 East Cordova St as part of the funding from the Federal governments' \$31.77 million award to the City of Vancouver through the Rapid Housing Initiative – Round 2 (RHI2) Major Cities Stream.

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Federal Government - Rapid Housing Initiative Funding

The Federal Government's Rapid Housing Initiative (RHI), which was created in 2020, aims to rapidly create 3,000 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.

In 2021, the Federal Government announced an additional \$1.5B in funding towards RHI. The 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 generally limited the opportunities that qualify for RHI funding to 'shovel ready' projects and purchase and conversion of non-residential buildings for housing at the time the funding was announced in November 2021.

As part of the 2021 RHI program, CMHC allocated the City \$31.77M and the City proposed to create 88 new permanent affordable homes with the funding. The funding was used primarily for the purchase and construction of 68 social housing units at 162 Main. The remaining funding was used as a capital grant to Lookout Society to construct 20 homes at 545 E Cordova St. The City has flexibility to allocate funds between the two proposed projects, subject to CMHC approval, but any funds remaining unspent must be returned to CMHC.

Discussion

The Lookout Society & 545 E Cordova Project

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 Society owns the property located at 545 East Cordova, which was a vacant, infill site at the time of purchase. The Project will develop a 6 storey building with 20 studio social housing units. Through the course of the Project, Lookout Society will own, develop and operate the social housing. The Project will provide much needed homes for low-income residents who are experiencing and at risk of homelessness with a focus on seniors as well as individuals who identify as Indigenous or women. The Lookout Society will operate the Project as deeply affordable social housing with in-reach support services. Tenants will be referred through Lookout Society's existing shelters and supportive housing in the DTES as well as through BC Housing's coordinated access and assessment process. Lookout Society intends to connect the building's future residents, who require additional supports, with tenant support workers, nurses and health supports, as well as through connection to existing nearby offsite Lookout Society services.

The initial Grant Agreement approved in November 2021 requires that for the first 20 years, all 20 social housing units in the Project 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 through an Operating Agreement secures this initial affordability. After 20 years, 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). In the event that the agreement with BC Housing is renewed post 20 years, the initial and deeper level of affordability may be able to be maintained. The Grant Agreement also ensures tenants are not displaced from their homes after the first 20 year period by requiring that Lookout Society 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. The

Grant Agreement requires that Lookout Society meet all of the City's obligations under the RHI agreement with CMHC.

Provincial Government – Supportive Housing Operating Funding

BC Housing has provided both the City and Lookout Society a letter confirming their intent to fund ongoing operational subsidy for the Project to provide shelter rate housing with support services for a minimum of 20 years. BC Housing and Lookout Society are currently finalizing an Operating Agreement to this effect, and the completion of this formal agreement (or other form of commitment acceptable to the General Manager of ACCS, Director of Finance, and City Solicitor) remains a condition to receive the full funding related to the original Grant Agreement and will be a condition of this grant, should Council approve it.

Financial Implications

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 contained within the 2022 Housing Land Acquisition budget. The additional Grant of up to \$2.4M (for a total of \$10.4M) to Lookout Society will support the design and construction of the Project.

Consistent with Council policies, all social 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.

For a summary of the grant contribution and operation costs, please see Appendix A. For a summary of development funding, please see Appendix B.

Legal Implications

The Grant Agreement and all related legal agreements will be settled and approved by the City's Director of Legal Services.

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**APPENDIX A
TOTAL GRANT CONTRIBUTION AND OPERATION COSTS**

RHI City's Stream project	Total Grant Contribution Cost			Total Operating Cost		
	COV	CMHC	Total	COV	CMHC	BC Housing ¹
Initial Grant for 545 East Cordova St (20 units)	\$0M	\$8M ²	\$8M	\$0M	\$0M	Subject to operating agreement with BC Housing
Recommended Additional Grant for 545 East Cordova St	\$0M	\$2.4M ²	\$2.4	\$0M	\$0M	Subject to operating agreement with BC Housing
Total	\$0M	\$10.4 M	\$10.4 M	\$0M	\$0M	

1: BC Housing has provided a commitment letter to the City and is currently finalizing the Operator Agreement with 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: City stream funding contribution is for design and construction only. Lookout will retain ownership of the building and will be responsible for all operational costs and capital maintenance.

**APPENDIX B
DEVELOPMENT FUNDING SUMMARY**

Development Funding Summary - Estimated Costs		
	Initial Estimated Costs	Revised Estimated Costs
Estimated Development Costs (\$M)		
Land Equity (Lookout Society) - Assessed Value	\$0.7 M	\$0.74 M
Development (Hard and Soft) Costs	\$6.6 M	\$10.15M
Contingencies	\$1.4 M	\$0.25 M
Total	\$8.7 M	\$11.14 M
Sources of Funding		
Land Equity (Lookout Society) - Assessed Value	\$0.7 M	\$0.74 M
City of Vancouver (through CMHC RHI 2 allocation)	\$8.0 M	\$10.40 M
Total	\$8.7 M	\$11.14 M