



COUNCIL REPORT

Report Date: January 23, 2024
Contact: Ryan Bigelow
Contact No.: 604.673.8151
RTS No.: 16060
VanRIMS No.: 08-2000-20
Meeting Date: February 27, 2024
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TO: Vancouver City Council
FROM: Deputy City Manager
SUBJECT: Lease Extensions with Sch'eyk Housing Society for 501 East Hastings Street, 540 East Hastings Street and 2025 Brunswick Street

Recommendations

- A. THAT Council authorize staff to negotiate and execute an extension to the ground lease between the City of Vancouver (the "City") and Sch'eyk Housing Society ("Sch'eyk"), providing for the on-going operation of a social housing project located at 501 East Hastings Street, legally described as Lots 28, 29, 30, 31 and 32, Block 58, District Lot 196, Plan 196 (the "Bill Hennessy Place"), with the following terms:
- i. an extension of the term up to December 13, 2039;
 - ii. nominal Basic Rent, plus additional rent in lieu of property taxes, for the extension period; and
 - iii. such other terms, including additional reporting requirements on operating performance and affordability delivered, as determined to be necessary and to the satisfaction of the Director or Real Estate Services;

and which will otherwise be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Deputy City Manager, the Director of Finance, and the Director of Legal Services.

The proposed lease extension at nominal Basic Rent constitutes a grant and requires 8 affirmative votes of Council, per Section 206(1) of the *Vancouver Charter*.

- B. THAT Council authorize staff to negotiate and execute an extension to the ground lease between the City and Sch'eyk, providing for the on-going operation of a social housing project located at 540 East Hastings Street, legally described

as Lots 3 to 8, Block 69, District Lot 196, Plan 196 (the "Jennie Pentland Place"), with the following terms:

- i. an extension of the term up to September 30 2039;
- ii. nominal Basic Rent, plus additional rent in lieu of property taxes; and
- iii. such other terms, including additional reporting requirements on operating performance and affordability delivered, as determined to be necessary by and to the satisfaction of the Director or Real Estate Services;

and which will otherwise be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Deputy City Manager, the Director of Finance, and the Director of Legal Services.

The proposed lease extension at nominal Basic Rent constitutes a grant and requires 8 affirmative votes of Council, per Section 206(1) of the *Vancouver Charter*.

- C. THAT Council authorize staff to negotiate and execute an extension to the ground lease between the City and Sch'eyk, providing for the on-going operation of a social housing project located at 2425 Brunswick Avenue, legally described as Lot E, Block 54, District Lot 200A, Plan 21263 (the "Ledingham Place"), with the following terms:

- i. an extension of the term up to July 7, 2034;
- ii. nominal Basic Rent, plus additional rent in lieu of property taxes; and
- iii. such other terms, including additional reporting requirements on operating performance and affordability delivered, as determined to be necessary by and to the satisfaction of the Director or Real Estate Services;

and which will otherwise be in accordance with the terms and conditions outlined in this report and to the satisfaction of the Deputy City Manager, the Director of Finance, and the Director of Legal Services.

The proposed lease extension at nominal Basic Rent constitutes a grant and requires 8 affirmative votes of Council, per Section 206(1) of the *Vancouver Charter*.

- D. THAT the extension of the leases in Recommendations A, B and C will be subject to confirmation of an operating subsidy and capital maintenance funding being secured from BC Housing.
- E. THAT no legal rights or obligations will arise or be created between Sch'eyk and the City unless and until a legally binding agreement for each lease extension is

successfully negotiated and executed by the City through its authorized signatories as authorized by Council and Sch'eyk.

Purpose and Executive Summary

This report recommends Council approve the negotiation and execution of an extension to the following leases with Sch'eyk so Sch'eyk can secure funding from BC Housing for the much needed capital repairs across the three leased locations:

- 501 East Hastings Street (expired on December 13, 2022 and currently in overhold) – an additional 17 years to bring the lease expiry to 2039
- 540 East Hastings Street (expiring on September 30 , 2026) – an additional 13 years to bring the lease expiry to 2039
- 2425 Brunswick Avenue (expiring on July 7, 2028) - an additional 6 years to bring the lease expiry to 2034

Based on the affordability of the housing provided, nominal basic rent, plus additional rent in lieu of property taxes, for the extension period of each lease is recommended.

Council Authority/Previous Decisions

- Housing Vancouver Strategy and Housing Vancouver Three-Year Action Plan (2017)
- Affordable Housing Delivery and Financial Strategy (2018)
- On July 24, 2019, Council approved the Non-Profit Lease Renewal Framework (“LRF”) and authorized staff to negotiate future ground lease(s) with non-profit operators in accordance with the Options, Key Terms, and Ground Rent Valuation contained in the Non-Profit Lease Framework

City Manager’s Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Sch'eyk operates the three social housing buildings on City-owned land with a total of 189 units. Two buildings are located in the DTES and one in the Mt. Pleasant neighborhood. Sch'eyk has no other properties in their portfolio. Notably, the lease for 501 East Hastings has been over held since December 14, 2022 and the remaining leases expire in the near future.

Project Name	Address	Lease Expiry Date	Units
Bill Hennessy Place	501 East Hastings	December 14, 2022	70
Jennie Pentland Place	540 E Hastings	October 1, 2026	86
Ledingham Place	2425 Brunswick	July 7, 2028	33

Discussion

Capital Maintenance Funding from BC Housing and Lease Extensions

Building Condition Assessments for all three buildings were undertaken by BC Housing. Overall, the buildings are in fair to good condition but require attention to regular maintenance and capital replacement. Estimated capital maintenance costs for these units is approximately \$692,000.

Project Name	Address	Est. Capital Repair Costs
Bill Hennessy Place	501 East Hastings	\$445,000
Jennie Pentland Place	540 E Hastings	\$132,000
Ledingham Place	2425 Brunswick	\$115,000
Total		\$692,000

Sch'eyk has secured capital maintenance funding from BC Housing to complete outstanding repairs. BC Housing requires minimum residual lease terms of fifteen (15) years for 501 East Hastings and 540 E Hastings and ten (10) years for 2425 Brunswick to qualify for its capital funding.

Staff recommend a lease extension for all three sites on terms that are required to secure BC Housing funding for the capital work, but not beyond at this point in time.

Affordability Profile

All three buildings offer deeply affordable housing. Across the three buildings, approximately 60% of tenants are aged 55+, with 29% over 65. Current rent ranges are summarized below.

Bill Hennessy Place

Unit	# Units	Rent Range	Affordable to (30% of Rent Range)
Bachelor	24	\$421 - \$813	\$16,840 - \$32,520
1 Bed	29	\$421 - \$1,053	\$16,840 - \$42,120
2 Bed	17	\$800 - \$1,290	\$32,000 - \$51,600
Total	70		

Jennie Pentland Place

Unit	# Units	Rent Range	Affordable to (30% of Rent Range)
Bachelor	44	\$480 - \$797	\$19,200 - \$31,880
1 Bed	25	\$749 - \$1,014	\$29,960 - \$40,560
2 Bed	11	\$695 - \$1,175	\$27,800 - \$47,000
3 Bed	6	\$1,184 - \$1,428	\$47,360 - \$57,120
Total	86		

Ledingham Place

Unit	# Units	Rent Range	Affordable to (30% of Rent Range)
Bachelor	0		
1 Bed	12	\$293 - \$1,178	\$11,720 - \$47,120
2 Bed	15	\$289 - \$1,278	\$11,560 - \$51,120
3 Bed	6	\$600 - \$1,869	\$24,000 to \$74,760
Total	33		

Affordability for the three buildings are well below the 2023 Housing Income Limits (HILs) published by BC Housing.

2023 HILs for Vancouver		
1 Bedroom or less	2 Bedrooms	3 Bedrooms
\$58,000	\$72,000	\$86,000

Sch'eyk intends to maintain the affordability at the current rent levels throughout the term of the leases.

Financial Implications

Consistent with longstanding Council policies, all affordable housing projects are expected to be self-sustaining over the life of the project and do not require further operating subsidies, property tax exemptions, and/or financial guarantees from the City. Housing partners are responsible for operating and maintaining the housing project at prescribed affordability where rent and other revenues (including senior government subsidies) are sufficient to cover operating and capital expenditures over the term of the lease.

Following the Non-profit Lease Renewal Framework, staff recommend a nominal basic rent, plus additional rent in lieu of property taxes, for the extension of all three leases on the condition that current affordability will be maintained throughout the leases, subject to BC Housing funding being secured for the capital repairs across the three leased locations.

Legal Implications

No legal rights or obligations will arise or be created between the Sch'eyk and the City unless and until a legally binding extension is successfully negotiated and executed by the City through its authorized signatories as authorized by Council and executed by Sch'eyk.

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