



COUNCIL REPORT

Report Date: June 25, 2024
Contact: Ryan Bigelow
Contact No.: 604.673.8151
RTS No.: 16461
VanRIMS No.: 08-2000-20
Meeting Date: July 23, 2024
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TO: Vancouver City Council
FROM: Armin Amrolia, Deputy City Manager
SUBJECT: Grant to Amicae Co-op for Below Market Lease Option at 1047 Barclay Street

Recommendations

THAT Council authorize a grant to Amicae Co-operative Housing for a 20-year lease renewal option within the 5-year lease previously approved by Council (RTS 16356) for the City-owned property located at 1047 Barclay Street, legally described as: PID: 006-847-111, Lot C Block 6 District Lot 185 Plan 20109 together with all buildings and improvements, based on similar terms as provided in Section 28.01 of the ground lease dated September 18, 1984.

As the rent for the proposed 20-year lease renewal option will be below market, the Recommendation constitutes a grant and requires at least 8 affirmative votes of Council, per Section 206(1) of the Vancouver Charter.

Purpose and Executive Summary

On May 28, 2024, Council approved a grant to Amicae Co-operative Housing ("Amicae") for a 5-year lease at 1047 Barclay Street with rent at below market rates following the Methodology for Co-operative Housing Lease Renewals. Included in the 5-year lease is an option for Amicae to extend the lease by 20 years. The 20-year lease renewal option contains a specific formula for determining rent that, if exercised, will likely be below market, therefore constituting a grant.

This report recommends that Council approve a grant to Amicae related to the 20-year lease renewal option if (a) the option is exercised by Amicae and (b) if rent calculated based on the specific formula is below market.

Council Authority/Previous Decisions

On July 8, 2021, Council approved the [Methodology for Co-operative Housing Lease Renewals \(RTS 13783\)](#), which approved certain policies that are intended to guide or provide a framework for the negotiation of co-op lease renewals, including redevelopment.

On May 28, 2024, Council approved a grant to Amicae for a 5-year lease at 1047 Barclay Street with rent at below market rates following the Methodology for Co-operative Housing Lease Renewals (RTS 16356).

City Manager's Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Amicae is located on City-owned land at 1047 Barclay Street in the Burrard Corridor sub-area of the West End Community Plan. On September 18, 1984, the City entered into a 40-year lease with Amicae ("Original Lease"), which expired June 14, 2024. The Original Lease included an automatic lease renewal option for Amicae, at Amicae's election and subject to limited conditions, to extend the lease for an additional 20 years ("Original Option"). The basic rent for the lease renewal term was to be calculated as "market rent" based on the assumption that the existing building was the only form of development that could be built on the property.

Rather than proceeding with the Original Option, staff have negotiated a 5-year lease with Amicae following the Methodology for Co-operative Housing Lease Renewals ("Short Term Lease") to allow the City and Amicae to explore future partnership opportunities. Recognizing Amicae's rights under the Original Option and in the event that a future partnership opportunity does not materialize into a new long term lease at the end of the Short Term Lease, the Short Term Lease includes a 20-year lease renewal option that replicates the Original Option ("New Option") and the basic rent calculation methodology.

As Vancouver continues to grow and land use policy continues to evolve, there is a possibility that the assumptions underlying the calculation of "market rent" at the time of renewal of the Short Term Lease, if the New Option is exercised, may not reflect the development potential of the property (e.g. the zoning of the property may change to permit a much denser development). In this case, the delta between "market rent" as calculated under the New Option and "market rent" as calculated based on highest and best use would constitute a grant pursuant to section 206 of the *Vancouver Charter*.

Discussion

In order to finalize and execute the Short Term Lease, including the New Option, and to ensure Amicae's Original Option is replicated in the Short Term Lease, staff are recommending Council approval of a grant to Amicae related to its New Option if (a) the New Option is exercised by

Amicae in accordance with the Short Term Lease and (b) if the rent for the New Option is to be below market.

Financial Implications

While the basic rent for the Short Term Lease follows the Methodology for Co-operative Housing Lease Renewals, the basic rent for the New Option, if exercised, will replicate the terms from the Original Option. Assuming the existing building is the only form of development that could be built on the property, the estimated value for the 20-year lease renewal option is ~\$10.17 million (2024\$). Should the highest and best use value of the property be higher, the difference in rent value would constitute a grant.

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

Legal Implications

No legal rights or obligations shall arise or be created by Council's adoption of Recommendation A unless and until all legal documentation has been executed and delivered by the respective parties.

As the rent for the New Option may be below market, Recommendation A constitutes a grant and requires at least 8 affirmative votes of Council, per Section 206(1) of the Vancouver Charter.

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