



COUNCIL REPORT

Report Date: October 23, 2024
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VanRIMS No.: 08-2000-20
Meeting Date: December 10, 2024
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TO: Vancouver City Council
FROM: Armin Amrolia, Deputy City Manager
SUBJECT: Selection of and Terms for Social Housing Operator at 5718 Choy Yuen Crescent

Recommendations

- A. THAT Council approve FirstService Residential BC Ltd. as the selected housing operator for the 187-unit Social Housing Air Space Parcel located at 5718 Choy Yuen Crescent to provide management services as outlined in this report.
- B. THAT Council authorize the Managing Director of Non-Market Housing Development and Operations to negotiate and execute an operating agreement with FirstService Residential BC Ltd., on such terms and conditions as outlined in this report and as otherwise approved by the Deputy City Manager, the Director of Finance, and the City Solicitor.

Purpose and Executive Summary

This report seeks Council authorization to enter into a 25-year Operating Agreement with FirstService Residential BC Ltd. (First Service) to operate the 187-unit Social Housing Air Space Parcel at 5718 Choy Yuen Crescent on specific terms and conditions.

Council Authority/Previous Decisions

[Oakridge Policy Statement \(2007\)](#) In March 2007 Council adopted the Oakridge Policy Statement to describe general planning principles to guide future development of the site.

[Oakridge Centre Rezoning \(2014\)](#) In March 2014 Council conditionally approved the rezoning of 650 West 41st Avenue (Oakridge Centre). One of the conditions of the rezoning included entering into an agreement for the construction and transfer of a new Oakridge Community Centre and Library and 290 units of social housing. The 187 units at 5718 Choy Yuen Crescent is the first phase of the social housing delivery, alongside the Community Centre and Library.

[Housing Vancouver Strategy \(2017\)](#) In November 2017 Council approved the Housing Vancouver Strategy (2018-2027) and the [3 Year Action Plan \(2024-2026\)](#). These seek to shift the supply of new homes toward the right supply, with targets for new units along a continuum of housing types.

City Manager’s Comments

The City Manager concurs with the foregoing recommendations.

Context and Background

Project Description

As a condition of the Oakridge Centre rezoning, the City secured a 187-unit Social Housing Air Space Parcel and adjacent Library and Community Centre through a construction and transfer agreement. The building at 5718 Choy Yuen Crescent is a 22-storey tower containing 187 social housing units along with associated indoor and outdoor amenity spaces, underground parking and storage (the “Project”). The tower is connected to the 5 level Oakridge Civic Centre and Library, adjacent to Oakridge Park. Construction is underway with completion estimated in the first quarter of 2025. A second social housing building with 103 units was also secured and will be delivered at a later phase of development and will be subject to a separate future RFP.

Based on Council direction at the time of rezoning, all units should be rented at rents affordable to households with incomes at or below Housing Income Limits. The City anticipates that a diverse mix of tenants will occupy these units, emphasizing families with children in the 40% of units which have two bedrooms or more. Tenanting will also include a target of ten units for individuals moving out of supportive housing buildings through the Supporting Tenant Enabling Pathways (STEP) program, and a minimum of 5 units to be dedicated on an ongoing basis for youth aging out of care (directly through [TRRUST](#)).

Project Operating Model/Agreement

Following the 2024 Mayor’s Budget Task Force recommendations and engagement with the property management and housing sector to streamline operations, realize economies of scale and improve the overall efficiency of social housing initiatives utilizing professional property management organizations, the City requested proposals from housing operators to enter into an operating agreement with the City and provide tenant management, asset management and property management services for the Project (“Operating Agreement”), specifying:

- A term of up to 25 years. The Operating Agreement will be for the duration of the Term unless the Operating Agreement is terminated earlier in accordance with the provisions of the Operating Agreement.
- The Operator will be responsible for all aspects of the operation of the Lands and Building, including residential tenancies within the Project.
- The City will pay to the Operator a management fee as consideration for its services for management of the Lands and Building as described in the Operating Agreement (“Management Fee”).

- The Operator will manage the operations of the Lands and the Building, will preserve and protect the Lands and the Building, and will collect Operating Revenue and will pay Operating Expenses, all on the terms and conditions of the Operating Agreement.
- Operational Reviews will occur at the end of the first Fiscal Year and every five years from the commencement date of the Agreement. Each Operational Review will consist mainly of a review of the Management Fee, operations plans and service levels.

The Real Estate Services Act requires that any entity providing real estate services to or on behalf of another entity (the City in this case), for or in expectation of remuneration, to be licensed under the Act.

Discussion

On October 8th, 2024, the City issued an Request For Proposals (RFP) for a housing operator for the Project. The RFP was posted on the City's Supply Chain Management E-Sourcing site and on BC Bid. Three qualified vendors submitted proposals to the City. The proposals were reviewed by a staff evaluation team to determine which proposal offered best overall value to the City.

Evaluation criteria included:

- a. Experience Managing Affordable Housing
- b. Tenant Management Plan
- c. Staffing, Capacity and Property Management Plan
- d. Management Fees and Other Financial Information
- e. Social Sustainability

Based on the overall evaluation, the team concluded that the proposal submitted by First Service best met the City's requirements and has been identified as the recommended proponent for the Project ("Proposed Operator").

Proposed Operator

The Proposed Operator manages 700 properties with over 70,000 homes in British Columbia. Of these properties, 140 are air space parcels. Through the RFP, the Proposed Operator demonstrated a strong track record of managing residential properties, including affordable housing similar to the Project. The City also has a positive history with the Proposed Operator on other City projects, including the market rental building located at 228 E 7th Ave and a social housing building located at 808 Nicola St..

The operations plan proposed by the Proposed Operator demonstrated a sound approach to effectively ramping up the 187-unit project and managing the building and tenants. With over 700 properties under management, the Proposed Operator can leverage its economies of scale and extensive partnerships with trades and vendors to deliver cost effective property management services. Given all units within the Project will be rented to households at or below the Housing Income Limits and will require income testing, the Proposed Operator demonstrated the experience necessary using the BC Housing Registry and utilizing strategic partnerships with non-profit societies for tenant referrals, as well as income testing households to determine rents. Lastly, the Proposed Operator proposed partnerships with non-profit

societies to provide additional tenant supports if desired by the City.

Financial Implications

The Project is expected to be financially self-sustaining, with expected revenue to offset operating costs and capital expenditures. Excess revenue will be remitted to the City to fund priorities within the Vancouver Affordable Housing Endowment Fund. The City will retain overall financial accountability for the Project and the Proposed Operator will be paid a Management Fee to perform services in accordance with the Operating Agreement. The Proposed Operator will prepare an Operating Budget at the beginning of each year summarizing Estimated Operating Revenue and Operating Expenses of the Project for review and approval by the City. Approved Operating Expenses will be paid by the Proposed Operator from Operating Revenues. The City will pay for Approved Capital Expenses. The City will pay the agreed Operator Management fees for its services.

Management Fees

The table summarizes the Proposed Operator’s Management Fees, subject to further negotiation with Staff. Management Fees will be fixed or indexed to an agreed rate or benchmark for the first 5 years of the Operating Agreement and reviewed every 5 years for of the remainder of the Operating Agreement.

Management Fee Component	Year 1	First 5 Years (4% annual escalation on Base mgmt.. Fee, 2.5% on Staff Costs as proposed)	Estimated 25 Years (2% annual escalation for Years 6-25)
Base Management Fee	\$146,000	\$791,000	\$5,024,000
Direct Project Staff Costs	\$209,000	\$1,098,000	\$6,809,000
Subtotal (Annual Fees)	\$355,000	\$1,889,000	\$11,833,000
One-time Initial Rent Up Fee	\$126,000	\$126,000	\$126,000
Subtotal (Annual + One-time)	\$481,000	\$2,015,000	\$11,959,000
*Optional Additional Tenant Supports	\$160,000	\$841,000	\$5,218,000

* The Proposed Operator included fees related to additional tenant supports if required by the City. These additional support costs require further scoping and negotiation if applicable but will not exceed the amounts included in the table above.

Legal Implications

No legal rights or obligations will arise or be created by Council’s adoption of the recommendations set out in this Report unless and until the agreement described in this Report has been executed and delivered by the respective parties.

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