



COUNCIL REPORT

Report Date: January 22, 2025
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Meeting Date: February 4, 2025
[Submit comments to Council](#)

TO: Vancouver City Council

FROM: Armin Amrolia, Deputy City Manager

SUBJECT: Below Market Lease Extension to Italian Cultural Center Senior Citizens Housing Society for 2610 South Grandview Highway

Recommendations

- A. THAT Council authorize the Director of Real Estate Services to negotiate and execute an extension to the ground lease (collectively the “Lease”) between the City of Vancouver as lessor (the “City”) and Italian Cultural Centre Senior Citizens Housing Society (“ICCSCHS”) as the lessee for the City-owned property located 2610 Grandview Highway South, legally described as PID: 007-396-082 Lot 6 Block A Section 45 Town of Hastings Suburban Lands Plan 21231 (“Casa Serena”), at below market rates pursuant to the Non-Profit Lease Renewal Framework for Sustaining Affordable Non-Profit Housing on City Land’ (“Non Profit Lease Renewal Framework”) which will provide for:
- i. an extension of term up to December 31, 2040 commencing on May 26, 2028 (the “Commencement Date”);
 - ii. ground rent to be paid annually;
 - iii. additional reporting requirements to measure operating performance and affordability delivered; and,
 - iv. the terms and conditions outlined in this report and such other terms and conditions as approved by the Deputy City Manager, the Director of Finance, General Manager of Real Estate, Environment and Facilities Management and the Director of Legal Services.

The proposed ground rent for the Lease extension determined in accordance with the Non Profit Lease Renewal Framework constitutes a grant and is required to be passed by not less than 2/3 of all Council members, per Section 206(1) of the *Vancouver Charter*.

- B. THAT, pursuant to *Vancouver Charter* section 206(1)(j), Council approve that ICCSCHS, as a society operating housing on City land, be deemed an organization contributing to the welfare of the City.
- C. THAT no legal rights or obligations will arise or be created between ICCSCHS and the City unless and until a legally binding agreement is executed by the City through its authorized signatories as authorized by Council and ICCSCHS.

Purpose and Executive Summary

This report recommends Council approve the negotiation and execution of an extension to the existing Lease with ICCSCHS for Casa Serena. The extension is required to support funding from British Columbia Housing Management Commission (“BC Housing”) to ICCSCHS for capital repairs as BC Housing requires a term of fifteen (15) years to secure funding. The initial term for the Lease would otherwise expire on May 25, 2028. The calculation for ground rent for the extension period will be in accordance with the Non-Profit Lease Renewal Framework and based on the affordability of the housing provided.

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](#) and authorized staff to negotiate future ground leases with non-profit operators in accordance with the Options, Key Terms, and Ground Rent Valuation contained in the Non-Profit Lease Renewal Framework

City Manager’s Comments

The City Manager supports the recommendations as set out above.

Context and Background

ICCSCHS operates one social housing site, Casa Serena, on City-owned land in the Renfrew-Collingwood area with a total of 90 one-bedroom units for seniors. ICCSCHS has no other properties in their portfolio. The existing term of the Lease is 41 years and commenced on May 26, 1987 and expires and is prepaid to May 25, 2028.

Discussion

Capital Maintenance Funding from BC Housing and Lease Extensions

A Building Condition Assessment for the building at Casa Serena was undertaken by BC Housing in 2024. Overall, the building is in fair to good condition but requires regular maintenance and capital repairs. Capital resources are needed in the short term to replace the roofs, make-up air units, and modernize two elevators in the building.

ICCSCHS has preliminarily secured capital maintenance funding of approximately \$2.7M from BC Housing for the full roof and make-up air units repair costs. However, BC Housing requires a minimum lease term of fifteen (15) years as a condition of funding and the current Lease term expires on May 25, 2028. A lease extension through 2040 is required for BC Housing’s funding requirement.

Casa Serena is located within the Rupert and Renfrew Station Area Plan currently in development. Depending on the direction of the plan, Casa Serena may have future redevelopment potential. As such, staff support a lease extension up to December 31, 2040 with the opportunity to discuss further lease extensions or redevelopment as the proposed lease extension period nears expiry.

The lease terms are summarized in Schedule A.

Affordability Profile

Casa Serena offers deeply affordable housing to seniors. All tenants are over the age of 55. Current rent ranges have been summarized below.

Unit type	# Units	Rent Range	Affordable to (rent as 30% of income)
1 Bed	90	\$538 - \$1,283	\$21,520 - \$51,320

Affordability for the building is well below the 2025 Housing Income Limits (HILs) published by BC Housing for 1 bedroom or less (\$58,000).

Pursuant to the funding terms of ICCSCHS with BC Housing, no more than 15 of the total 90 units may be at Lower End of Market rents (as defined and published by BC Housing from time to time). The remaining units must be at Rent Geared to Income rents to be calculated as 30% of gross household income. Maximum household income will be established based on BC Housing’s Housing Income Limits. The proposed lease extension will require the equivalent affordability as what BC Housing requires.

Ground Rent Valuation

The Non-Profit Lease Renewal Framework provides a methodology for valuing ground rent by assessing a project’s revenue and expenses, based on recent audited financial statements and conservative projections. It also accounts for senior government funding sources for major capital repairs, new construction costs, and any operating subsidies (including rent supplements and care or health-related services). The schedule of ground rent recommended of the proposed Lease extension period is summarized in Appendix B. Ground rent will be paid annually to avoid ICCSCHS from financing a ground rent pre-payment.

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.

Based on the projected financial model for the extension period, primarily determined by current affordability levels and operating expenses (with annual escalations applied to both), the project is estimated to support \$851,000 in cumulative annual rent payments over the extension term (see Appendix B for annual amounts). ICCSCHS' financial capacity will be periodically reviewed by the City.

The estimated fair market value of the lease extension is approximately \$8.6 million representing the value to lease a comparable site in the private market to operate the housing project at market rents. As such, the below-market extension of Lease constitutes a grant and is required to be passed by not less than 2/3 of all Council members, per Section 206(1) of the Vancouver Charter.

Legal Implications

No legal rights or obligations will arise or be created between ICCSCHS and the City unless and until a legally binding agreement is successfully negotiated and executed by the City and ICCSCHS through their authorized signatories as authorized by Council and ICCSCHS respectively.

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APPENDIX A

Term Sheet – Casa Serena (Italian Cultural Centre Senior Citizens Housing Society)

Between the City of Vancouver (in this Appendix A, the “Lessor”) and Italian Cultural Centre Senior Citizens Housing Society (in this Appendix A, the “Lessee”) for a ground lease for the lands and affordable housing building at 2610 Grandview Highway.

While this term sheet does not create binding rights or obligations, the parties wish to confirm their intent to work together in a cooperative and collaborative manner, acting reasonably, fairly and in good faith to negotiate and finalize with all reasonable due diligence a lease agreement for the identified lands and building.

Lease Component	Terms
Lands	2610 Grandview Highway South
Existing Lease Term	May 26, 1987 – May 25, 2028
Lease Extension Period	May 26, 2028 to December 31, 2040 (“Extension Period”).
Options to Renew	Closer to the end of the term, the parties may mutually agree to explore lease extension or redevelopment in accordance with the prevailing Non-Profit Lease Renewal Framework.
Restricted Use	Unless otherwise agreed to in writing by the Lessor, the Lessee covenants and agrees with the Lessor that neither the Lands nor Building nor any part of the Lands or Building will be used for any purpose except the provision of rental housing.
Affordability	Of the 90 units, no more than 15 units may be at Lower End of Market rents. The remaining units must be at Rent Geared to Income rents to be calculated as 30% of gross household income. Maximum household income will be established based on BC Housing’s Housing Income Limits.
Ground Rent	The ground rent will be based on the income generated from the project and the levels of affordability provided in accordance with the Lease Renewal Framework for Non-Profit Housing dated July 2018. Based on the projected income for the Extension Period, primarily determined by current affordability levels and operating expenses (with annual escalations applied to both), the Lessee will pay annual ground rent following the schedule in Appendix B.
Redevelopment Option	No more than 5 years before the end of the extended lease term, the City may initiate redevelopment discussions with the Lessee and provide the Lessee with a Notice of Redevelopment for the expiry of the lease term.
Repairs and Maintenance	The Lessor will not be obliged to furnish any services or facilities or to make repairs or alternations to the leased premises, and the Lessee hereby assumes the full and sole responsibility for the condition,

	operation, repair, replacement, maintenance and management of the leased premises and all expenses related thereto.
Insurance	<p>The Lessee will effect and keep in force commercial general liability insurance with limits of not less than five million dollars (\$5,000,000), or such other amount as the Lessor may require from time to time, per occurrence, against public liability claims for bodily injury, death and property damage (including loss of use) arising from the Lessee's use and occupancy of the Buildings.</p> <p>Prior to signing the proposed Lease extension and amendment agreement, the Lessee must provide the Lessor with evidence of all insurance required to be taken out pursuant to the lease, in the form of one or more detailed certificates of insurance.</p>
Mortgaging by Lessee	The Lessee may mortgage its leasehold interest in the Lands and Buildings only with the written consent of the Lessor. Notwithstanding any such mortgage, the Lessee will be and remain liable for the payment of all ground rent and additional rent, and the performance of its obligations.
Capital Asset Plan	The Lessee will, commencing on the second anniversary of the proposed lease extension and amendment agreement and updated every five years subsequently, submit to the Lessor for approval a capital asset plan that sets out the maintenance, repair and replacement standards and practices required to preserve the capital components to the Lands and the Building over the lease term.
Replacement Reserve	<p>The Lessee will create a reserve for capital replacements to the Lands and the Buildings and their systems, equipment and surfaces, based on the items and life in years as set out in the Capital Asset Plan. Beginning on the Commencement Date, the Lessee will deposit in the Replacement Reserve an amount to be determined by an independent third part consultant with experience in capital asset planning and approved by the Lessor. The Lessee will use or dispose of the Replacement Reserve for only capital replacements to the Lands and the Building in accordance with the Capital Asset Plan, or other capital items identified by the Lessee, acting in a reasonable manner as a component building owner.</p> <p>At the end of the lease term, any remaining funds in the Replacement Reserve will be surrendered to the Lessor.</p>
Operating Surplus	Operating surpluses, if any, that arise after payment to the Lessor of the ground rent shall be used by the Lessee to create and maintain an operating reserve.
Reporting Requirements	On an annual basis, the Lessee will provide the Lessor with an operating report that details occupancy statistics, rents charged to occupants, and operating expense statistics. The Lessee will, every five years, provide the Lessor with a building condition report setting out the condition of the building structure and all major building systems prepared by an independent third party.

APPENDIX B
Schedule of Projected Annual Land Rent Payments

Fiscal year ¹	Projected land rent (\$)
2028/29	109,000
2029/30	105,000
2030/31	101,000
2031/32	95,000
2032/33	89,000
2033/34	82,000
2034/35	73,000
2035/36	64,000
2036/37	53,000
2037/38	41,000
2038/39	27,000
2039/40	12,000
2040 ²	nil
	851,000

Note 1 - ICCSCHS fiscal year runs from July 1 to June 30

Note 2 - Lease extension ends December 31, 2040